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# CORE MISSION AREAS



## AUDITS

The following are highlights of DoD IG audit work during the reporting period. DoD IG performed audits in the following categories:

- Acquisition processes and contract management.
- Financial management.
- Joint warfighting and readiness.
- Cyber security.
- Health care.
- Equipping and training Afghan Security Forces.
- Nuclear enterprise.

## ACQUISITION PROCESSES & CONTRACT MANAGEMENT

Acquisition and contract management operations are critical core functions to the Department but also present persistent challenges within the Department. For acquisition programs, the Department needs to better balance its limited resources, the capabilities needed for current conflicts and the capabilities needed to prepare for possible future conflicts. Senior leadership has, in recent years, terminated acquisition programs that were underperforming, over budget or of questionable continuing investment. The Department continues to strengthen contracting and has issued policy, procedures and guidance addressing current contracting challenges. The Department continues to struggle to consistently provide effective oversight of its contracting efforts. The Department's continuing contracting deficiencies include obtaining adequate competition in contracts, defining contract requirements, overseeing contract performance, obtaining fair and reasonable prices, and maintaining contract documentation for contract payments.

DoD IG oversight continues to assess Department acquisition processes and contract management. During this reporting period, DoD IG issued several reports highlighting questionable acquisition programs, lack of use of existing spare parts, pricing of spare parts and inadequate oversight of contracting efforts.

### Award and Administration of Performance-Based Payments in DoD Contracts

#### OVERVIEW:

 The government can provide contract financing for contractors before it accepts the supplies or services. Contract financing is prudent when it can expedite the performance of essential contracts. DoD IG determined whether DoD contracting personnel negotiated and administered performance-based payment schedules in DoD contracts in accordance with selected Federal Acquisition Regulation requirements.

*“The government could realize potential monetary benefits of \$13.6 million to \$53.3 million over the next five years related to reduced carrying costs.”*

#### FINDINGS:

DoD contracting personnel needed additional guidance and training to better award and administer the \$13.2 billion in performance-based payment events contained in the 60 contracts reviewed. These improvements should reduce DoD's risk of making future payments without measurable contractor performance and help ensure the contractor meets performance criteria before payment. DoD risked making advance payments totaling \$11.4 billion and might have made full payments for less than full contract performance. Also, the government could have needlessly incurred \$28.8 million in carrying costs associated with the \$7.5 billion that DoD paid contractors. The government could realize potential monetary benefits of \$13.6 million to \$53.3 million over the next five years related to reduced carrying costs. Finally, DoD limited its ability to ensure that it received adequate consideration for authorizing performance based payments.

#### RESULT:

The director, Defense Pricing, agreed with the recommendations and will issue guidance to:

- Require contracting personnel request a contractor estimate of expenditures before approving the performance-based payment schedule.
- Develop a training program that includes a discussion on appropriate event descriptions and required elements.

- Update guidance to require contracting personnel to determine whether the contractor could obtain private financing and the amount of contract financing and define what a reasonable level of contractor investment is.

*Report No. DODIG-2013-063*

### Defense Contract Management Agency Santa Ana Quality Assurance Oversight Needs Improvement

#### OVERVIEW:

 The Defense Contract Management Agency performs quality assurance services to verify that contractors deliver products on time, at projected cost and meet contract performance requirements. As of June 2012, 46 DCMA contract management offices managed 337,000 active contracts with an obligated value of \$1.7 trillion. DCMA Santa Ana, Calif., is a contract management office within the Western Regional Command. At DCMA Santa Ana, about 366 civilian and military employees, with 1,504 active contractors, manage more than 20,337 contracts, valued at \$38 billion. DoD IG determined whether DCMA Santa Ana contract management office performed quality assurance procedures and oversight of contractors in accordance with applicable policies for critical safety items.

#### FINDINGS:

Quality assurance representatives assigned to four contracts for DCMA Santa Ana, valued at about \$278 million, did not adequately perform or document their quality assurance surveillance. DCMA Santa Ana officials provided limited assurance that 18,507 critical safety items—consisting of T-11 parachutes, oxygen masks, drone parachutes and breathing apparatuses—met contract requirements.

#### RESULT:

DoD IG recommended that DCMA Santa Ana contract management office verify that QA representatives developed adequate QA surveillance plans and performed process reviews and product examinations; certify that the supervisory reviews of QA representatives were accurate, complete and timely; and perform a risk analysis in coordination with service engineers to identify QA risk areas and determine the need to recall or restrict the use of critical safety items previously accepted. DCMA comments were responsive.

*Report No. DODIG-2013-069*

### Use of Defense Logistics Agency Excess Parts for High Mobility Multipurpose Wheeled Vehicle Depot Repairs Will Reduce Costs

#### OVERVIEW:

 As of September 2012, the Army operated about 153,000 high mobility multipurpose wheeled vehicles. The U.S. Army 2010 Tactical Wheeled Vehicle Strategy stated that the Army plans to sustain portions of the HMMWV fleet for an additional 20 years through recapitalization and reset repair programs. DoD IG evaluated HMMWV repair parts supply chain management at Red River Army Depot, Texas. Specifically, DoD IG reviewed Defense Logistics Agency inventory levels, DLA annual customer demand and the depot consumption of HMMWV repair parts to determine whether the supply chain was cost-effective.



DoD IG evaluated HMMWV repair parts supply chain management at Red River Army Depot, Texas.

#### FINDINGS:

DLA Land and Maritime did not cost-effectively manage 118 HMMWV repair parts valued at \$11.1 million while purchasing these parts from AM General, LLC for \$17.6 million. DLA Land and Maritime officials did not review DLA-owned inventory at key contract decision points to maximize use of its own stock. DoD IG identified \$9.7 million of excess inventory that could be used for HMMWV maintenance requirements. Thus, DLA missed an opportunity to improve DoD cash flow by drawing down DLA-owned inventory before using commercial

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support. Furthermore, DLA incurred costs to maintain this excess inventory.

## RESULT:

DoD IG recommended that DLA perform periodic inventory reviews of DLA-owned HMMWV repair parts on the Integrated Logistics Partnership contract; develop a drawdown plan for the excess inventory identified and incorporate the plan into the final option year of the Integrated Logistics Partnership contract and any future HMMWV support contracts at Army maintenance depots; and provide all HMMWV repair part consumption data to supply planners.

*Report No. DODIG-2013-073*

## Improvements Needed in U.S. Special Operations Command Global Battlestaff and Program Support Contract Oversight

### OVERVIEW:

 The Global Battlestaff and Program Support contract is an indefinite-delivery, indefinite-quantity contract for services or supplies with a \$1.5 billion ceiling covering a three-year base and a two-year option period. The Global Battlestaff and Program Support indefinite-delivery, indefinite-quantity contract was awarded to four prime contractors. DoD IG determined whether U.S. Special Operations Command properly administered task orders awarded under the Global Battlestaff and Program Support contract, valued at approximately \$231 million, as of Nov. 16, 2011.

### FINDINGS:

USSOCOM officials did not properly administer the Global Battlestaff and Program Support task orders in accordance with federal guidance. Specifically, contracting officers awarded task orders with unclear requirements and without measurable outcomes. In addition, task orders may have included inherently governmental duties and elements of a personal service contract. Further, contracting officers did not adequately support fair and reasonable price determinations for 20 modifications, totaling approximately \$38.8 million, or validate that contractors were entitled to approximately \$50.9 million paid on Global Battlestaff and Program Support task orders.

## RESULT:

DoD IG made recommendations to include, among others, that USSOCOM implement controls to ensure task orders contain clearly defined performance work

statements; comply with federal and DoD regulation controls to verify contracting personnel perform price analysis for modifications over \$700,000; and develop procedures for contracting officers or contracting officer representatives to validate contractor payment requests before certifying invoices for payment.

*Report No. DODIG-2013-075*

## TRICARE Management Activity Needs to Improve Oversight of Acquisition Workforce

### OVERVIEW:

 The TRICARE Management Activity is responsible for managing the TRICARE health care program that serves more than 9.7 million active duty service members, National Guard and Reserve members, retirees, their families, survivors and certain former spouses worldwide. In FY 2012, the TMA acquisition budget was \$18.8 billion. DoD IG assessed the status of efforts to improve the TMA acquisition program, specifically, whether the TMA acquisition workforce was adequately trained and certified.

### FINDINGS:

TRICARE Management Activity acquisition personnel did not have required Defense Acquisition Workforce Improvement Act certifications for their functional areas, accurate position descriptions for their assigned duties or proper training. TRICARE Management Activity officials could not verify and be assured that the right people with the right skills were involved



DoD IG assessed whether the TMA acquisition workforce was adequately trained and certified.

in the acquisition process; leaving the TRICARE Management Activity at an increased risk for fraud, waste and abuse.

## RESULT:

DoD IG recommended that the TMA place additional emphasis on the identification and oversight of the acquisition workforce by establishing quality assurance procedures to ensure identification, assignment, certification and training of the acquisition workforce, and implementation and use of the Contracting Officer Representative Tracking Tool. Additionally, the under secretary of defense for acquisition, technology, and logistics should perform a comprehensive review of TMA's progress on meeting compliance with identification, assignment, certification and training of the acquisition workforce; progress on implementation and use of the Contracting Officer Representative Tracking Tool; and compliance with proper contracting procedures.

*Report No. DODIG-2013-078*

## Increased Procurement Quantity for CH-53K Helicopter Not Justified

### OVERVIEW:

 DoD IG evaluated the CH-53K program documentation used to support the increased procurement quantity from 156 to 200 aircraft for the CH-53K program. This report is the first in a series of reports evaluating Naval Air Systems Command acquisition management of the CH-53K program.



DoD IG evaluated the CH-53K program documentation used to support the increased procurement quantity.

### FINDINGS:

The Marine Corps procurement quantity for CH-53K heavy lift helicopters in the DoD FY 2013 president's budget was overstated by as many as 44 aircraft. The Marine Corps could not support the need to procure a total of 200 aircraft because Headquarters Marine Corps Department of Aviation officials:

- Did not follow the Joint Capabilities Integration and Development System Instruction and obtain Joint Requirements Oversight Council approval for the increase.
- Did not have requirement studies prepared to determine a procurement quantity in consideration of program affordability.
- Incorrectly relied on a 2008 memorandum from the deputy commandant for aviation directing the increase of the procurement quantity to 200 aircraft, without support.
- Incorrectly used the 2010-2011 Force Structure Review's war-gaming scenarios as justification for the quantity increase.
- Did not justify or appropriately consider the impact of the Marine Corps personnel reductions effect on heavy lift quantity requirements.

The Marine Corps risks spending \$22.2 billion in procurement, operating and support funding for 44 additional aircraft that have not been justified and may not be needed to support future Marine Corps mission requirements.

### RESULT:

DoD IG recommended the Marine Corps deputy commandant for aviation perform an analysis to determine the number of CH-53K aircraft needed, conduct an affordability assessment and obtain Joint Requirements Oversight Council approval of the CH-53K quantity before the low-rate initial production decision planned in February 2016.

*Report No. DODIG-2013-084*

## The Navy P-8A Poseidon Aircraft Needs Additional Critical Testing Before the Full-Rate Production Decision

### OVERVIEW:

 The overall expected cost for developing and procuring the P-8A Poseidon is \$33.5 billion. DoD IG evaluated whether the Navy addressed potential risks and increased its flight hours to fully assess system reliability as the director, operational test and evaluation, advised at the low-rate initial production decision in August 2010.

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DoD IG evaluated whether the Navy addressed risks to the P-8A Poseidon aircraft before the full-rate production.

## FINDINGS:

The program manager for Maritime Surveillance Aircraft effectively addressed the potential risks and flight hour concerns of the director, operational test and evaluation, at the low-rate initial production. However, additional critical testing should be completed before the full-rate production decision. The program manager planned the full-rate production decision review to occur in July 2013 before testers complete testing needed to demonstrate that the P-8A Poseidon airframe can meet life expectancy requirements. The program manager delayed life expectancy testing in reaction to funding constraints and testing priorities. The program manager also did not correct known system deficiencies, about which the director, operational test and evaluation, and Joint Interoperability Test Command officials had expressed concern, before conducting initial operational test and evaluation. The chief of naval operations accepted the risk of granting the program manager temporary waivers from correcting the deficiencies to allow the program to enter into initial operational test and evaluation, while not having to fully correct the deficiencies until after the full-rate production decision. Finally, the program manager deferred completing mission testing in response to fleet commander concerns regarding maintaining on-time delivery of the P-8A Poseidon aircraft. A decision by the under secretary of defense for acquisition, technology, and logistics to acquire the first full-rate production lot of 13 P-8A Poseidon

aircraft (at an estimated cost of \$2.6 billion) based on incomplete test results and could result in costly retrofits to meet lifespan, mission and system performance requirements.

## RESULT:

DoD IG recommended that the under secretary of defense for acquisition, technology, and logistics award an additional low-rate initial production lot for the P-8A Poseidon aircraft in July 2013 and defer the full-rate production decision for the P-8A Poseidon program until the program manager for Maritime Surveillance Aircraft demonstrates (1) the airframe can achieve the required 25-year lifespan without succumbing to structural fatigue; (2) testing has resolved mission limited deficiencies; and (3) the aircraft can perform its primary missions, including antisurface warfare.

*Report No. DODIG-2013-088*

## Improved Guidance Needed to Obtain Fair and Reasonable Prices for Sole-Source Spare Parts Procured By the Defense Logistics Agency From The Boeing Company

### OVERVIEW:

 DoD IG determined whether Defense Logistics Agency Aviation obtained best value and purchased sole-source spare parts at fair and reasonable prices from The Boeing Company. DoD IG reviewed contract actions associated with two contracts and, specifically, costs for 60 spare parts on 2,659 delivery orders, valued at about \$81.1 million, to determine if DLA Aviation received fair and reasonable prices.

### FINDINGS:

DLA Aviation contracting officers did not negotiate fair and reasonable prices on 1,469 delivery orders, valued at \$27.2 million, thereby, not getting best value for the government. Pricing problems occurred because DLA Aviation contracting officers did not conduct a fair and reasonable price analysis. In addition, DLA Aviation guidance did not require contracting officers to:

- Obtain and review contractor purchase order histories when determining fair and reasonable prices.
- Complete a subsequent review of pricing for spare parts, after the parts were initially placed on long-term contracts, as allowed by the contract.



DoD IG determined whether DLA Aviation purchased spare parts at fair and reasonable prices for equipment, such as the deceleration parachute for the B-52.

Furthermore, Boeing did not maintain complete cost and pricing data for 20 delivery orders, valued at \$3.4 million, because contracting officers did not conduct adequate contract oversight.

DLA Aviation paid approximately \$13.7 million in excess of fair and reasonable prices for 1,469 delivery orders. DLA Aviation also may have made payments in excess of the fair and reasonable price for an additional 20 delivery orders. If prices are not corrected, DLA Aviation will continue to overpay on future sole-source spare parts procured from Boeing on the two contracts.

#### **RESULT:**

DoD IG recommended DLA implement available options to recover from Boeing the overpayment of approximately \$13.7 million. Additionally, DLA needed to (1) renegotiate prices for overpaid parts; (2) revise "DLA Aviation acquisition procedures" to require contracting officers to obtain and review contractor purchase-order histories when determining fair and reasonable prices for sole-source acquisitions and complete periodic reviews of the contractor's cost basis for spare parts purchased multiple times on a long-term contract; and (3) conduct periodic evaluations of contract files for long-term contracts to verify that the contractor maintained contract data.

*Report No. DODIG-2013-090*

#### **Improvements Needed in the Oversight of the Medical Support Services and Award-Fee Process Under the Camp As Sayliyah, Qatar, Base Operation Support Services Contract**

##### **OVERVIEW:**



##### **The Camp As Sayliyah Installation Base**

Operations Support Services contract is a combination cost-plus-award-fee and firm-fixed-price contract awarded by U.S. Army Contracting Command–Rock Island, March 11, 2010. The contract is valued at \$143.4 million over a one-year base period of performance and four option periods. The contract performance work statement requires the contractor to provide installation support services at Camp As Sayliyah, Qatar, to include medical services. DoD IG determined whether DoD officials were properly administering the Camp As Sayliyah Base Operations Support Services contract, valued at \$143.4 million.

##### **FINDINGS:**

DoD officials did not effectively administer the medical services functional area and award-fee process of the Camp As Sayliyah Base Operations Support Services contract. In addition, contracting officials did not verify that contracted physician assistants were medically supervised and erroneously allowed the Area Support Group–Qatar command surgeon to supervise contractor physician assistants under a nonpersonal services contract. Army officials also did not adequately document and justify an award fee of approximately \$1.5 million paid to the contractor. The contractor received the award fees even though required critical positions were unfilled.

##### **RESULT:**

Among other recommendations, DoD IG recommended the U.S. Army Medical Command, revise guidance and the Landstuhl Regional Medical Center, Germany, establish procedures in line with the guidance. DoD IG also recommended the Army Contracting Command require the contractor to provide a medical health services manager, who is a medical doctor, to supervise the professional aspects of physician assistants' duties and that the Defense Contract Management Agency provide clear instructions and training regarding award-fee plans and evaluations.

*Report No. DODIG-2013-097*

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## Contract Administration of the Subsistence Prime Vendor Contract for Afghanistan Improved, but Additional Actions are Needed

### OVERVIEW:

 Supreme Foodservice GmbH was awarded a 60-month prime vendor contract, starting December 2005. This was a fixed-price, indefinite-quantity contract and was initially valued at approximately \$726.2 million. At the time the contract was awarded, the prime vendor was required to provide food and nonfood distribution support to four activities in Afghanistan—Bagram, Kabul, Salerno and Kandahar. This follow-up audit determined whether Defense Logistics Agency implemented corrective actions to address the problems and risk areas identified in DoD IG Report No. D-2011-047.

### FINDINGS:

DLA implemented corrective actions to address some of the problems and risk areas identified in the previous DoD IG report. However, additional actions were still needed for fair and reasonable pricing determinations: recovery, and refunds of overpayments; and reviews for costs charged to an incorrect appropriation. As a result, DLA may have paid excessive costs for containers and airlifts of fresh fruits and vegetables and may not collect up to \$282 million in potential premium transportation overpayments. Furthermore, there is an increased risk for potential Antideficiency Act violations from costs charged to incorrect appropriations.

### RESULT:

DoD IG recommended the DLA implement corrective actions to address all open recommendations in audit report no. D-2011-047, develop a time-phased plan with measurable goals and metrics regarding implementing the open recommendations, and educate contracting officers to maintain all supporting documentation used in fair and reasonable determinations. In April 2013, DoD IG testified before the Subcommittee on National Security, Committee on Oversight and Government Reform about this matter. DLA has been collecting offset payments but ongoing litigation has impacted DoD IG's ability to validate the accuracy of data supporting DLA's determination that the contractor had been overpaid approximately \$756 million.

**Report No. DODIG-2013-100**

## Boeing Overstated Contract Requirements for the CH-47F Helicopter

### OVERVIEW:

 DoD IG determined whether Army Aviation and Missile Life Cycle Management Command and The Boeing Company were fully complying with DoD policy and guidance for the analysis of subcontractors' pricing proposals and whether the analyses was effective in the negotiation of prime contracts.

### FINDINGS:

AMCOM and Boeing generally complied with federal and DoD guidance for analyzing subcontractor pricing proposals. However, AMCOM did not review the \$67.5 million of proposed safety stock (new parts that may or may not be used). In addition, Boeing installed significantly more reworked or salvaged parts instead of the proposed safety stock for remanufactured helicopters. Therefore, Boeing overstated contract requirements by \$15.1 million for 21 high-dollar parts. Boeing also overstated requirements for 17 parts valued at \$35.1 million that would result in overcharges ranging from \$7.4 million to \$16.6 million. As a result of this audit, AMCOM performed an analysis of Boeing's multiyear II contract proposal and calculated \$36.8 million in funds that could be put to better use by reducing safety stock costs. The multiyear II contract also had potential requirement overcharges for eight parts valued at \$51.7 million that would result in overcharges ranging from \$10.6



Boeing overstated contract requirements for the CH-47F helicopter.

million to \$19.1 million. AMCOM officials reviewed these eight parts on the multiyear II contract, and Boeing adjusted the requirements. Additionally, Army and Boeing could not accurately value the CH-47F government-furnished property stored at New Breed Logistics, Tenn. The Army's reliance on and the unreliability of the government online data system increases the risk of improper inventory management and valuation.

#### **RESULT:**

DoD IG recommended that the executive director, Army Contracting Command-Redstone Arsenal, Ala., instruct the contracting officer for the CH-47F multi-year II contract to require Boeing to clearly identify contingencies costs and establish a separate line item in the contract for safety stock. Additionally, DoD IG recommended the commander, AMCOM, to properly value, manage and use CH-47F government-furnished property at New Breed Logistics through an Army inventory management system.

*Report No. DODIG-2013-103*

### **DoD Oversight Improvements Are Needed on the Contractor Accounting System for the Army's Cost-Reimbursable Stryker Logistics Support Contract**

#### **OVERVIEW:**

 DoD IG evaluated the effectiveness of the contractor logistics support strategy for the Stryker family of vehicles.

#### **FINDINGS:**

The U.S. Army and the Defense Contract Management Agency did not identify contractor accounting system weaknesses on the Stryker cost-reimbursable contract, valued at \$1.6 billion. The U.S. Army was potentially billed for as much as \$866.1 million in reimbursable costs that were charged to the incorrect contract line items and fiscal appropriation. Program Management Office Stryker risked potentially violating the Antideficiency Act by paying the misapplied charges. Further, as of February 2013, PMO Stryker paid approximately \$1.5 billion on the Stryker contracted logistic support contract without verifying that General Dynamics Land Systems Canada's portion of the reimbursable costs was accurate.

#### **RESULT:**

Among other recommendations, the director, Defense Procurement and Acquisition Policy should continue to negotiate an agreement between the U.S. and



DoD IG evaluated the effectiveness of the contractor logistics support strategy for the Stryker family of vehicles.

Canadian governments that allows Public Works and Government Services Canada to perform audit support services that comply with applicable U.S. fiscal laws and accounting standards on U.S. contracts with Canadian companies. Additionally, DCMA should request that Public Works and Government Services Canada review the General Dynamics Land Systems Canada accounting system for adequacy by verifying that actual costs are tracked to the appropriate project tasks and billed to the proper appropriation. Further, PMO Stryker, with support from the U.S. Army Contracting Command, should report any potential Antideficiency Act violations to the U.S. assistant secretary of the Army (financial management and comptroller).

*Report No. DODIG-2013-104*

### **Defense Advanced Research Projects Agency Properly Awarded Contracts for Disc-Rotor Research and Development**

#### **OVERVIEW:**

 This audit was in response to a congressional constituent's complaint concerning an improper contract award for disc-rotor technology. DoD IG determined whether Defense Advanced Research Projects Agency personnel complied with federal laws and DoD guidance when awarding contracts to The Boeing Company for disc-rotor technology research and development.

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## FINDINGS

Defense Advanced Research Projects Agency personnel followed federal and DoD acquisition regulations when awarding two contracts for the research and development of disc-rotor technology to Boeing. Also, DARPA personnel followed proper procedures in addressing the complainant's white paper topic submissions, proposals and letters. Therefore, the complainant's allegations were not substantiated. DoD IG did not make a determination on the allegation that DARPA personnel improperly awarded contracts to Boeing that infringed on the complainant's patents for disc-rotor blade technology. Defense Federal Acquisition Regulation Supplement Part 227 provides private parties with a process for filing administrative claims for patent infringement against DoD components.

## RESULT:

No recommendations were issued with this report.

*Report No. DODIG-2013-106*

## The Navy's Management of Software Licenses Needs Improvement

### OVERVIEW:

 DoD IG determined whether the Department of the Navy effectively managed software licenses. Specifically, DoD IG determined whether the Navy included appropriate clauses in software license contracts. DoD IG reviewed one Enterprise Licensing Agreement, 13 non-ELAs and the associated End User License Agreements to determine if the contracts included desirable language in accordance with the DoD Enterprise Software Initiative approved software licensing training.

### FINDINGS:

The Navy made progress in its management of software licensing by issuing an ELA for Microsoft, which included best practice language for the acquisition of software licenses. However, the 13 non-ELA software contracts reviewed did not include desired best practice language. The Navy increased the potential of wasteful spending, disruption of government operations and vulnerability to lawsuits, claims and penalties.

### RESULT:

Among others, DoD IG recommended that the assistant secretary of the Navy (research, development, and acquisition) require all DON contracting personnel who prepare and issue software license contracts to take specialized training

about using appropriate language in software acquisition contracts.

*Report No. DODIG-2013-115*

## Army Needs Better Processes to Justify and Manage Cost-Reimbursement Contracts

### OVERVIEW:

 DoD IG conducted this audit in accordance with the FY 2009 National Defense Authorization Act, section 864, Regulations on the Use of Cost Reimbursement Contracts. DoD IG determined (1) whether the Army complied with interim Federal Acquisition Regulation revisions on the use of cost-reimbursement contracts by documenting that approval for the cost-reimbursement contract was at least one level above the contracting officer; (2) that cost-reimbursement contracts were justified; (3) how the requirements under contract could transition to firm-fixed-price in the future; (4) that government resources were available to monitor the cost-reimbursement contract; and (5) that contractors had an adequate accounting system in place during the entire contract.

*...Army contracting personnel did not consistently implement the interim rule for 107 contracts, valued at about \$10.5 billion."*

### FINDINGS:

Of the 161 contracts reviewed, valued at about \$53.3 billion, Army contracting personnel did not consistently implement the interim rule for 107 contracts, valued at about \$10.5 billion. Contracting personnel issued contracts that did not follow the interim rule because they were unaware of the rule. Contracting personnel may increase the contracting risk because cost-reimbursement contracts provide less incentive for contractors to control costs. DoD IG identified internal control weaknesses for implementing the interim rule changes regarding the use of cost-reimbursement contracts.

### RESULT:

Among various recommendations, DoD IG recommended management formalize interim guidance, develop better communications and transition to firm-fixed-price contracts when possible. Management concurred with all recommendations  
*Report No. DODIG-2013-120*

## Improvements Needed at the Defense Advanced Research Projects Agency When Evaluating Broad Agency Announcement Proposals

### OVERVIEW:

 DoD IG determined whether the Defense Advanced Research Projects Agency properly awarded contracts from broad agency announcements. Specifically, DoD IG reviewed contracts awarded and funded by DARPA from DARPA broad agency announcements published in March 2011 through Sept. 30, 2012.

### FINDINGS:

Of the 36 contracts reviewed, valued at about \$426.4 million, DARPA personnel did not consistently adhere to scientific review process and Federal Acquisition Regulation requirements before awarding contracts from broad agency announcements for 35 contracts, valued at about \$424.6 million. DARPA may not be able to justify that technical office personnel adequately substantiated proposal selections and increased contracting risks when issuing cost-reimbursement contracts.

### RESULT:

DoD IG recommended that DARPA establish controls to verify scientific review process documentation is adequate as well as reemphasize internal requirements for approval of funding documentation, requirements within the cost-reimbursement interim rule, and the Federal Acquisition Regulation requirement to appropriately complete the determination of the adequacy of the contractor's accounting system.

*Report No. DODIG-2013-126*

## Air Force and Army Corps of Engineers Improperly Managed the Award of Contracts for the Blue Devil Block 2 Persistent Surveillance System

### OVERVIEW:

 The Blue Devil Block 2 was an Air Force Intelligence, Surveillance, and Reconnaissance initiative to provide persistent surveillance by attaching an integrated multiintelligence sensor platform to an airship. DoD IG determined whether Army Corps of Engineers and Air Force personnel properly awarded and administered contracts for the acquisition of the Blue Devil Block 2 surveillance system.



DoD IG determined whether Air Force and USACE properly managed the contracts for Blue Devil Block 2.

### FINDINGS:

Air Force and Army Corps of Engineers personnel improperly managed the award of contracts for Blue Devil Block 2. Air Force personnel improperly offloaded the award of the initial Blue Devil Block 2 contract to the Army Corps of Engineers instead of using Air Force program and contracting personnel. In addition, contracting personnel awarded the second Blue Devil Block 2 contract to develop and field Blue Devil Block 2 in an unachievable time frame. As a result, the warfighter did not receive an urgently needed capability and Air Force personnel wasted about \$149 million on a system the contractor did not complete.

### RESULT:

Among the recommendations, DoD IG recommended the Air Force determine whether Air Force Intelligence, Surveillance, and Reconnaissance should be assigned a program or contracting office for quick reaction capability development and field of Intelligence, Surveillance, and Reconnaissance initiatives. Additionally, the Air Force should only use the capabilities of the 645th Aeronautical Systems Group for systems appropriate for quick reaction contracting that can be accomplished in an achievable time frame.

*Report No. DODIG-2013-128*

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## Army Requirement to Acquire Individual Carbine Not Justified

### OVERVIEW:

 The Individual Carbine program is an Acquisition Category II major system program that entered the engineering and manufacturing development phase of the acquisition process in April 2011. The program was designated as an Army Acquisition Executive special interest program and placed on the Office of the Secretary of Defense, Director of Operation Test and Evaluation oversight list. As of May 2013, the Army had spent about \$14 million in research, development, test and evaluation funds. The Army plans to spend an additional \$2.5 billion to acquire, operate and support 501,289 carbines over a 20-year life cycle. DoD IG determined whether the Army justified its competition to acquire a new carbine weapon and whether the Army was implementing an effective acquisition strategy.

### FINDINGS:

The Army did not justify the need for a new carbine and, as a result, wasted about \$14 million on a competition to identify a source to supply new carbines it does not need. In addition, the Army plans to spend \$2.5 billion over a 20-year life cycle to procure and maintain 501,289 carbines that the Army's own analysis states can be delayed for another 10 years with no impact to readiness. During the audit, DoD IG identified potential monetary benefits of \$2.5 billion, \$382 million of funds to put to better use and \$2.1 billion in cost avoidance after FY 2018 if the program is terminated.

### RESULT:

DoD IG recommended that the Army terminate the Individual Carbine competition and eliminate funding the Individual Carbine program. Also, the Army should



DoD IG determined whether the Army justified its competition to acquire a new carbine weapon.

validate the quantity of M4 carbines needed and hold a competition if additional carbines are determined to be needed. Furthermore, Army should reprogram the \$382 million in procurement and research, development, test and evaluation funding currently allocated to acquire carbines across the FY 2013 to FY 2018 Future Years Defense Program, adjusted by validated M4 carbines needed. Management actions met the intent of the recommendations.

*Report No. DODIG-2013-131*

## FINANCIAL MANAGEMENT

Although the Department is far from reaching an unqualified opinion on its financial statements, it has made progress. DoD senior leadership has placed an increased emphasis on achieving this goal. DoD IG believes the increased emphasis is essential to the Department's ability to meet its internal milestones, as well as the 2014 and 2017 audit readiness mandates. The Department continues to make progress toward meeting the 2014 audit readiness goal of the statement of budgetary resources; however, it is still uncertain whether the Department will meet the 2014 goal.

DoD IG oversight is continuing to focus on the Department's audit readiness effort to include examinations of existence, completeness and rights of the critical assets and development and implementation of the enterprise resource planning systems. During this reporting period, DoD IG issued a report on the examination of Army's assertion for existence and completeness of operating materials and supplies quick win assets. DoD IG also issued several reports addressing the Department's efforts to develop and implement enterprise resource planning systems identifying improvements to ensure the systems will report timely and reliable financial information. Other oversight focused on the Department's efforts to prevent improper payments and the proper reporting when they do occur.

## Defense Agencies Initiative Did Not Contain Some Required Data Needed to Produce Reliable Financial Statements

### OVERVIEW:

 DoD developed the Defense Agencies Initiative as a single enterprise resource planning system for 28 DoD agencies. DAI's primary objective

*“The DAI program management office spent \$193 million to develop and deploy DAI from FY 2007 through May 2012 and estimated the total cost at completion for DAI to be \$426.8 million through FY 2016.”*

is to achieve an auditable, Chief Financial Officers Act-compliant system environment that facilitates accurate and timely financial data. The DAI program management office spent \$193 million to develop and deploy DAI from FY 2007 through May 2012 and estimated the total cost at completion for DAI to be \$426.8 million through FY 2016. DoD IG determined whether the DAI fulfilled selected functional capabilities needed to generate accurate and reliable financial data and reported data in compliance with U.S. Standard General Ledger requirements.

#### FINDINGS:

The Defense Agencies Initiative program management office did not ensure the DAI system fulfilled the functional capabilities needed to generate reliable financial data. The DAI program management officer did not have procedures and periodic reviews to ensure proper implementation of reporting attributes, Standard Financial Information Structure Transaction Library posting logic and the DoD standard chart of account codes before deploying DAI. The Defense Agencies Initiative could not generate all the financial data necessary to prepare financial statements.

#### RESULT:

DoD IG recommended that DoD officials configure DAI with all U.S. Standard General Ledger reporting attributes, establish controls over manual vouchers, develop complete system documentation and annually certify that DAI complies with the U.S. Standard General Ledger and Standard Financial Information Structure. DoD officials should revise the DoD Financial Management Regulation to require core financial systems to include all the accounts in the DoD Standard Chart of Accounts and require DoD to accumulate and report major program costs by program instead of appropriations.

*Report No. DODIG-2013-070*

#### Navy Did Not Develop Processes in the Navy Enterprise Resource Planning System to Account for Military Equipment Assets

##### OVERVIEW:

 The Department of the Navy acknowledged seven material weaknesses related to the Navy's business processes and systems that prevent the Navy from producing auditable financial statements. These material weaknesses exist, in part, because the Navy did not design its legacy accounting systems to maintain auditable data at the transaction level to support the amounts reported on its financial statements. DoD IG determined whether the amounts reported in the Defense Departmental Reporting System were supported by business processes in the Navy Enterprise Resource Planning system for the aircraft, shipbuilding and weapons procurement appropriations.

##### FINDINGS:

Department of Navy Office of Financial Operations personnel did not use the Navy Enterprise Resource Planning system to support \$416 billion in military equipment assets reported out of the Defense Departmental Reporting System-Audited Financial Statements. As a result, Navy officials spent \$870 million to implement the Navy Enterprise Resource Planning system and still did not correct the pre-existing military equipment material weakness.

##### RESULT:

DoD IG recommended that the Navy re-engineer the business process used to record military equipment and correct the existing material weakness in military equipment valuation and implement processes in the Navy Enterprise Resource Planning system to properly record and support military equipment assets. Further, DoD IG recommended that the Navy develop a business process re-engineering plan that accounts for military equipment assets and considers the Navy Enterprise Resource Planning system as one of the possible solutions.

*Report No. DODIG-2013-105*

#### Army Needs to Improve Controls and Audit Trails for the General Fund Enterprise Business System Acquire-to-Retire Process

##### OVERVIEW:

 The Army developed the General Fund Enterprise Business System to be a Web-enabled financial, asset and accounting management

# CORE MISSION AREAS

system. On July 1, 2012, the Army completed the final planned deployment of GFEBS with more than 53,000 users at 227 locations in 71 countries. DoD IG determined whether the Army had adequate controls over recording accounting transactions within the acquire-to-retire business process through GFEBS and whether the Army had verifiable audit trails to support these transactions.

## FINDINGS:

The Army's inadequate controls over the recording of accounting transactions for the acquire-to-retire business process in GFEBS contributed to more than \$100 billion of journal voucher adjustments during FY 2012. The Army will continue using inefficient legacy business processes and diminish the estimated benefits associated with business system modernization. Although the Army has spent \$814 million on GFEBS, it did not provide Army decision makers with relevant and reliable financial information for real property, and it is unable to identify the cost to correct the unreliable real property information. In addition, the Army is at increased risk of not accomplishing the FY 2017 audit readiness goal.

## RESULT:

DoD IG recommended Army officials create working groups to implement necessary functionality in GFEBS for Army real property management; develop standardized procedures and controls that leverage all GFEBS capabilities; provide job-specific training; review all real property data, including land, in GFEBS for accuracy; develop integrated processes for recording construction costs; and develop procedures for converting fixed assets.

*Report No. DODIG-2013-130*



DoD IG recommended Army officials create working groups to implement GFEBS functionality necessary for Army real property management.

## Enhanced Oversight Needed for Nontactical Vehicle Fleets in the National Capital Region

### OVERVIEW:

 Presidential Memorandum—Federal Fleet Performance, May 24, 2011, emphasizes as a priority that government vehicle motor pools be reduced to a level that will ensure agencies can meet their mission in the most efficient way possible. Each agency is responsible for its fleet management process, which includes determining the vehicle needs of the organization; acquiring vehicles; using these vehicles; and implementing appropriate controls to ensure effective fleet management and disposition of vehicles after use. DoD IG determined whether various DoD organizations had controls in place to accurately assess their requirements for nontactical vehicles in the National Capital Region.

## FINDINGS:

The Navy, Defense Logistics Agency, Pentagon Force Protection Agency and Washington Headquarters Services had 511 excess nontactical vehicles, with annual base lease costs of \$1.2 million. Eliminating the excess vehicles in their fleet would save \$7.2 million over the next six years. Further, DLA's Fort Belvoir fleet manager used a government purchase card to pay \$57,000 for the DLA director's leased vehicle, rental cars and taxis without valid contracts in place. Thus, unauthorized commitments of funds occurred and DLA might not have received the best value for rental cars.

## RESULT:

DoD IG made recommendations to the various DoD organizations to eliminate or justify excess vehicles, perform annual mileage reviews of vehicles and establish daily logs. DoD IG also recommended that the director, DLA needed to initiate action to review unauthorized commitments and begin ratification actions in accordance with the Federal Acquisition Regulation and Defense Logistics Agency Directive.

*Report No. DODIG-2013-117*

## The Audit Opinion of the DISA FY 2011 Working Capital Fund Financial Statements Was Not Adequately Supported

### OVERVIEW:

 In 2006, DoD IG issued policy instructing all other defense organizations to execute contracts with independent public accounting firms for the audit of financial statements through the

Inspector's General Chief Financial Officer Multiple Award Contract. The purpose of the policy was to ensure that DoD IG would maintain oversight of the financial statement audits of other defense organizations. In 2010, DoD IG issued policy establishing that DoD IG will conduct post audit reviews on a sample of the DoD entities financial statement audits for which DoD IG did not provide oversight. DoD IG determined the adequacy of Acuity Consulting, Inc.'s auditing procedures for the Defense Information Systems Agency FY 2011 Working Capital Fund Financial Statements.

#### **FINDINGS:**

Acuity Consulting, Inc.'s auditing procedures on the DISA FY 2011 Working Capital Fund Financial Statements were inadequate. In addition, the director, Procurement and Logistics Directorate, DISA, prohibited the contracting officer representative from completing key duties required to provide oversight of Acuity's work. Acuity did not have sufficient evidence to issue an unqualified opinion on the DISA FY 2011 Working Capital Fund Financial Statements.

#### **RESULT:**

DoD IG recommended DISA should ensure that individuals performing contract oversight of financial statement audits are qualified DISA employees and seek a refund from Acuity. Acuity Consulting, Inc. should withdraw their opinion and review the planned work on future audits to gather sufficient evidence to support their opinion.

*Report No. DDDIG-2013-071*

### The Navy Commercial Bill Pay Office, in Naples, Italy, Needs to Identify and Report Improper Payments

#### **OVERVIEW:**

 The Department of the Navy established the Commercial Bill Pay Offices in FY 1996 to streamline fiscal responsibility and functions. The Naples CBPO provides disbursing support for contract payments for Navy Region Europe, Africa and Southwest Asia. The Naples CBPO processes approximately 80 percent of its payment transactions through One Pay. One Pay was designed to create payment entitlements in accordance with the Prompt Pay Act, recognize and manage applicable discounts or deductions, and compute and apply interest when necessary. From July 1, 2011, through June 30, 2012, Naples CBPO processed 18,688 payments, valued at

approximately \$712.7 million. DoD IG determined whether improper payments processed through the One Pay system at Navy activities were identified and reported.

*“From a nonstatistical review of 25 payments valued at \$2.5 million, DoD IG identified five improper payments, valued at \$158,602 that the Naples CBPO neither identified nor reported.”*

#### **FINDINGS:**

The Naples Commercial Bill Pay Office did not comply with the requirements of the Improper Payments Elimination and Recovery Act and the implementing DoD regulations. The Naples CBPO did not perform reviews to identify and report improper payments from the 18,688 payments. The Navy and DoD understated the amount of improper payments reported. From a nonstatistical review of 25 payments valued at \$2.5 million, DoD IG identified five improper payments, valued at \$158,602 that the Naples CBPO neither identified nor reported.

#### **RESULT:**

DoD IG recommended that the Navy update guidance to clarify responsibility for processing payments in One Pay and develop procedures for improper payment identification and reporting.

*Report No. DDDIG-2013-077*

### Efforts to Minimize Improper Payments for the Shipment of Household Goods Were Generally Effective But Needed Improvement

#### **OVERVIEW:**

 DoD processed more than 1.3 million invoices and paid \$3.5 billion from July 2010 to March 2012 to ship household goods for DoD military and civilian employees who relocated to and from DoD installations worldwide. DoD IG determined whether the Department's efforts to minimize, identify, report and recover improper payments on the shipment of household goods were sufficient, effective and in compliance with applicable laws and regulations.

#### **FINDINGS:**

DoD IG determined that General Services Administration post-payment audits identified more than 16,000 invoices with potential overpayments

that DoD had not detected. The Surface Deployment and Distribution Command and the Defense Finance and Accounting Services did not obtain information from GSA that could assist in identifying and preventing the improper payments. As a result, DoD lost the use of \$4.6 million of overpayments and DFAS underreported the number of improper payments. DoD IG also determined that DFAS identified 142,636 processed line items that had accounting errors related to shipments of household goods, resulting in \$13 million of costs that could be saved over a five-year period.

#### RESULT:

DoD IG recommended the Surface Deployment and Distribution Command use GSA data to improve compliance and implement automated controls over the input of household goods information. Additionally, DoD IG recommended DFAS report improper payment information in accordance with guidance. Management generally agreed with the recommendations.

*Report No. DODIG-2013-083*

## Fuel Exchange Agreements Reconciliations Are Effective, but the Joint Reconciliation Process Needs Improvement

#### OVERVIEW:

 International agreements include fuel exchange agreements and fuel support agreements entered into between Defense Logistics Agency Energy and foreign governments that bind both parties to the terms and conditions established for all types of fuel-related supplies and services. DLA Energy, as delegated by the DoD through DLA, has overall responsibility for negotiating, concluding and amending international agreements. International agreements are a critical control for the worldwide fuel network required to support the DoD and other agencies. DoD IG determined whether the management and oversight of the Defense Logistics Agency Energy's international fuel support agreements were effective.

#### FINDINGS:

DLA Finance Energy's reconciliation process was generally effective for 11 fuel exchange agreements reviewed. However, DLA Finance Energy's process

for reconciling the Italian air force fuel exchange agreement jointly with the Northern Italian Pipeline system fuel support agreement did not comply with established guidance on reciprocal pricing. As a result of this reconciliation process, DLA Finance Energy over-calculated the amount of aviation fuel required to settle the Northern Italian Pipeline System fuel support agreement by approximately 3.4 million gallons of aviation fuel, valued at approximately \$10.8 million for 2006 through 2010.

#### RESULT:

DoD IG recommended DLA revise the annual joint reconciliation process to deduct the monetary value of the Italian Air Force fuel exchange agreement balance, calculated at standard price, from the dollar value of the Northern Italian Pipeline System fuel support agreement bill, document the process that complies with the reciprocal pricing laws and initiate actions to recover overcompensation from the annual joint reconciliations.

*Report No. DODIG-2013-101*

## JOINT WARFIGHTING AND READINESS

The Department is making progress in addressing the many difficulties in the drawdown in Afghanistan, resetting equipment and ensuring the long-term viability of the all-volunteer force. However, the Department must also be ready to address fiscal challenges, starting with sequestration. There are already reductions in spending for available training hours and needed maintenance and reset needs. These continuing challenges will impact DoD's Joint Warfighting and Readiness efforts for the foreseeable future. As such, DoD IG oversight will continue to focus on these important issues concerning warfighter capabilities and readiness. During this reporting period DoD IG oversight of Department's Joint Warfighting and Readiness efforts included classified reports addressing efficiency improvements with the munitions requirements process, transportation planning for retrograde operations and military support operations with civil-military operations in the Horn of Africa. DoD IG also reported on communication capabilities during domestic emergencies and accountability of aircraft.

## Improved Oversight of Communications Capabilities Preparedness Needed for Domestic Emergencies

### OVERVIEW:

 DoD provides Defense Support of Civil Authorities through active military forces (primarily under the command and control of the U.S. Northern Command), DoD Component assets and National Guard units, when requested by civil authorities or by qualifying entities, or when directed by the President or approved by the appropriate DoD officials. Army National Guard and Air National Guard units (primarily under the command and control of the governor) are the first military responders on-site when a domestic emergency occurs. DoD IG determined whether DoD communications equipment was available, maintained, staffed and ready for use to ensure interoperability during a domestic emergency.

### FINDINGS:

National Guard Bureau officials did not always ensure that DoD communications equipment was available, maintained, staffed or ready for use during a domestic emergency. DoD may experience reduced communications during domestic emergencies, which may adversely affect rescue and relief efforts and increase the risk of physical and economic damages and human casualties.

### RESULT:

DoD IG recommended that the National Guard Bureau establish oversight procedures, including performance metrics, to verify that National Guard units resolve, repair and troubleshoot actions for the Joint Incident Site Communications Capability system in a timely manner. National Guard officials agreed with recommendations.

*Report No. DDDIG-2013-102*

## Better Oversight and Accountability Needed for the U.S. Army Special Operations Command C-12 Aircraft

### OVERVIEW:

 In August 2000, the Army transferred a C-12 Operational Support Airlift aircraft to U.S. Special Operations Command. The C-12 aircraft was to be used by the U.S. Army Special Operations Command for administrative travel of senior officials. DoD IG conducted the audit in response to a referral from the U.S. Army Office of the Inspector General.



DoD IG determined whether DoD had adequate oversight and accountability of the C-12 aircraft.

DoD IG determined whether U.S. Army Special Operations Command officials were complying with applicable federal and DoD guidance when justifying the use of military airlift aircraft and whether DoD had adequate oversight and accountability of the C-12 aircraft.

### FINDINGS:

U.S. Special Operations Command officials did not assume responsibility for providing oversight and accountability of the aircraft. USASOC may be operating an underused aircraft in excess of the required Operational Support Airlift aircraft inventory. Additionally, DoD is at an increased risk that misuse of the aircraft by senior officials may occur and go undetected. U.S. Army Special Operations Command officials did not comply with federal and DoD guidance when justifying the cost of using the aircraft. DoD lacks reasonable assurance that USASOC officials used the most cost-effective flights.

### RESULT:

DoD IG recommended the USSOCOM assume responsibility for providing oversight and accountability of the C-12 aircraft, report the aircraft in their inventory and make the aircraft visible for centralized scheduling. DoD IG also recommended that USASOC develop and use the actual cost per flying-hour rate for the C-12 aircraft. USSOCOM and USASOC agreed with the recommendations.

*Report No. DDDIG-2013-080*

# CORE MISSION AREAS

## CYBER SECURITY

U.S. military forces are critically dependent on networks and information systems to execute their missions. The forces are highly vulnerable if threats to those networks and information systems are not mitigated. DoD has recognized cyberspace security and operations as a top issue. DoD and U.S. Cyber Command are working to build a balanced and highly capable military cyber force to meet DoD's joint warfighting requirements. Offensive cyber programs and capabilities are growing, evolving and spreading. DoD is normalizing cyber operations to include improving tactics, techniques and procedures, as well as policies and organizations.

Oversight of the Department's efforts concerning cyber security is a top priority for DoD IG. During this reporting period, DoD IG addressed maintaining authorization accreditations for DoD information systems, prevention of data loss, improvements needed in information assurance vulnerability management program at DISA and security of critical infrastructure and systems.

### Navy Commercial Access Control System Did Not Effectively Mitigate Access Control Risks

#### OVERVIEW:

 The Navy Commercial Access Control System is an enterprise identity management and perimeter installation access control solution used to manage commercial vendors, contractors and suppliers requiring routine access to Navy installations. The Commander, Navy Installations Command, the office designated to oversee the physical security of all continental U.S. Navy installation perimeters, implemented the Navy Commercial Access Control System. DoD IG determined whether the Navy Commercial Access Control System was mitigating access control risks to Navy installations.

#### FINDINGS:

DoD IG determined the Navy Commercial Access Control System did not effectively mitigate contractor access control risks and allowed convicted felons to access Navy installations without the knowledge and approval of the installation commander. DoD IG identified 52 convicted felons who received routine, unauthorized installation access, placing military personnel, dependents, civilians and installations at an increased security risk.

*"Additionally, the commander, Navy Installations Command, N3 Antiterrorism office spent more than \$1.1 million in disallowable costs and lacked oversight of and diminished legal recourse against the service provider."*

The Commander, Navy Installations Command, N3 Antiterrorism office, misrepresented its costs and circumvented competitive contracting requirements to implement the system. Additionally, the commander, Navy Installations Command, N3 Antiterrorism office spent more than \$1.1 million in disallowable costs and lacked oversight of and diminished legal recourse against the service provider.

#### RESULT:

DoD IG recommended that the Navy replace the system with one that uses mandatory databases and revise their policy and guidance to align with federal and DoD credentialing requirements. Further, DoD IG recommended the Navy review the inappropriate contracting practices and establish a corrective action plan.

*Report No. DODIG-2013-134*

## HEALTH CARE

The Department seeks to better manage DoD health benefits in a way that improves quality and satisfaction, while more responsibly managing costs by building a shared commitment to health care. The Department must continue to provide the highest quality care and service, while ensuring fiscally responsible management. The DoD strategy is to continue to ensure the military force is medically ready to deploy, reducing the generators of ill health while encouraging healthy behaviors, providing the highest quality that is patient- and family-centered and responsibly managing the total cost of health care. During this reporting period, DoD reported that the TRICARE Mail Order Program was more cost-efficient for beneficiaries than obtaining pharmaceuticals through retail pharmacies, and the program had adequate controls over dispensing pharmaceuticals. Additionally, DoD IG reported on DoD's and the Department of Veterans Affairs' joint venture at Tripler Army Medical Center.

## The Department of Defense and Veteran Affairs Health Care Joint Venture at Tripler Army Medical Center Needs More Management Oversight

### OVERVIEW:

 Tripler Army Medical Center, Hawaii, home of the Pacific Regional Medical Command, is the only federal tertiary care hospital in the Pacific basin. TAMC supports 264,000 local active duty and retired military personnel, their families and veteran beneficiaries. TAMC supports an additional 171,000 military personnel, family members, veteran beneficiaries, residents of nine U.S.-affiliated jurisdictions and forward-deployed forces in more than 40 countries throughout the Pacific. In 1992, the under secretary of the Army signed the initial Joint Venture agreement between TAMC and Veterans Affairs Pacific Islands Health Care System. The vision for the Joint Venture agreement is to be the model DoD/Veterans Affairs integrated comprehensive health care system in the 21st century. According to the agreement, TAMC billed Veterans Affairs Pacific Islands Health Care System for medical services totaling \$18.7 million for FY 2009, \$21 million for FY 2010, \$18.2 million for FY 2011 and \$15.3 million for FY 2012. DoD IG determined whether the master sharing agreement and joint policies governing claims and reimbursement between Department of Veterans Affairs and DoD for health care services at Tripler Army Medical Center were operating effectively.

**“DoD IG identified \$33.6 million in potential monetary benefits that could be used to meet future requirements.”**

### FINDINGS:

The master sharing agreement and joint policies did not effectively obtain timely reimbursement for health care services provided. The master sharing agreement and joint policies did not comply with DoD regulations, deliver an adequate authorization process, or provide an effective modification process to revise local policies. As a result, without a mutual solution between DoD and the Department of Veterans Affairs to address the longstanding problems, the burden of about \$26.2 million in delinquent debt—\$3.7 million in unbilled claims and \$3.7 million in uncompensated care—will continue

to grow. DoD IG identified \$33.6 million in potential monetary benefits that could be used to meet future requirements.

### RESULT:

Among other recommendations, DoD IG recommended (1) TAMC request the required waiver from the under secretary of defense (comptroller) and elevate issues to U. S. Army Medical Command; (2) U. S. Army Medical Command request DoD/Veterans Affairs Program Coordination Office to review the reimbursement policy; and (3) assistant secretary of defense (health affairs) require the DoD/VA Program Coordination Office present the issues cited to the appropriate levels within the Health Executive Council for resolution.

*Report No. DODIG-2013-135*

## EQUIPPING AND TRAINING AFGHAN SECURITY FORCES

The Department continued to develop the Afghan National Security Force's capability to take ultimate responsibility for Afghanistan's security. Completing the fielding of "enablers," or military capabilities essential to building ANSF's capacity to accomplish its missions, is increasingly important. The Afghanistan Security Forces Fund provides the resources required to train, sustain and equip a 352,000-person ANSF. For FY 2013 Congress appropriated \$5.1 billion for ASFF. The FY 2013 DoD request reflected a shift as emphasis moves from building, equipping and training to professionalizing and sustaining the force. DoD IG continues to focus oversight on DoD's management and effective use of ASFF. During this reporting, DoD IG reported on the DoD's contract oversight efforts with the Afghanistan National Police training/mentoring contract, ANSF radio contracts and overhaul of Mi-17s.

### DoD Needs to Improve Oversight of the Afghan National Police Training/Mentoring and Logistics Support Contract

### OVERVIEW:

 Army Contracting Command awarded the Afghan Ministry of Interior and Afghanistan National Police training/mentoring and logistics support contract, valued at approximately \$1 billion, to DynCorp International, LLC, Dec. 20, 2010. The ANP contract was a cost-plus-fixed-fee contract

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that included a 120-day transition period for the contractor to become fully operational, a two-year base period and a one-year option period. DoD IG determined whether the Army, NATO Training Mission Afghanistan/Combined Security Transition Command-Afghanistan and the Defense Contract Management Agency had adequate oversight processes and procedures for the ANP contract and whether DoD conducted adequate surveillance of the contract.

## FINDINGS:

The Defense Contract Management Agency, Combined Security Transition Command-Afghanistan and Army contracting officials need to improve oversight of the DoD Afghan National Police contract. DCMA personnel did not coordinate oversight processes and procedures with program or contracting personnel, implement quality assurance requirements considered critical for mission success, review oversight documentation and properly train contracting officer representatives. Furthermore, U.S. Forces-Afghanistan and DCMA officials did not have an adequate fielded mentor oversight strategy to overcome the challenges of providing oversight in Afghanistan. In addition, CSTC-A developed a memorandum of agreement with Red River Army Depot, Texas, to hire CORs for the ANP contract; however, the memorandum did not identify appropriate COR qualifications.

## RESULT:

DCMA-Afghanistan, should review the prior lead quality assurance representative's and the prior quality assurance representative's performance and hold them accountable for deficient performance as appropriate; establish a quality control process to verify oversight was performed; and establish a clear reporting strategy for fielded mentor COR oversight. Additionally, DoD IG recommended the Army Contracting Command should coordinate with DCMA to determine whether the oversight strategy was appropriate and implement a strategy to consistently review contractor internal corrective action requests. Lastly, U.S. Forces-Afghanistan should establish and implement an effective fielded mentor oversight strategy.

**Report No. DODIG-2013-093**

## Award and Administration of Radio Contracts for the Afghan National Security Forces Need Improvement

### OVERVIEW:

 DoD IG reviewed the procedures used by the U.S. Army Communications-Electronics Command to award Datron World Communications, Inc. radio contracts, verify timely deliveries and establish quality assurance measures in accordance with requirements. Specifically, DoD IG reviewed 36 contract actions, valued at approximately \$321.5 million.

*“...Datron...did not meet the initial 90-day contractual delivery requirement for 29 of 36 contract actions, and ACC-APG contracting officials did not renegotiate to establish reasonable delivery schedules.”*

## FINDINGS:

CECOM, Security Assistance Management Directorate personnel could not substantiate the requirements for \$133 million of Datron radios and equipment procured for the Afghan National Security Forces because personnel developed letters of offer and acceptance for more equipment than NATO Training Mission-Afghanistan/Combined Security Assistance Command-Afghanistan requested. As a result, ANSF might not have needed all the Datron items at the time U.S. Army Contracting Command-Aberdeen Proving Ground procured for them. Furthermore, NTM-A/CSTC-A could have used those funds to procure other required equipment. Additionally, Datron did not meet the initial 90-day contractual delivery requirement for 29 of 36 contract actions, and ACC-APG contracting officials did not renegotiate to establish reasonable delivery schedules. ACC-APG did not obtain consideration for the delivery delays. Furthermore, the delays caused a lack of communications capability within ANSF. Also, Defense Security Cooperation Agency personnel did not return excess contract administration services fees associated with Datron radio contracts to the Afghanistan Security Forces Fund. Approximately \$5 million in excess fees were not available to NTM-A/CSTC-A to procure unfunded requirements for ANSF.

## RESULT:

The director, CECOM Security Assistance Management Directorate, should establish procedures to prepare a letter of acceptance with the same quantities requested by NTM-A/CSTC-A. The executive director, ACC-APG, should require contracting officials to coordinate with Defense Contract Management Agency to monitor and enforce delivery requirements in equipment contract actions. Also, the director, DSCA, should immediately return unexpended contract administration service fees to ANSF and track actual amounts of contract administration service fees collected and expended for future Datron radio pseudo—foreign military sales cases.

*Report No. DODIG-2013-095*

## Army Needs To Improve Mi-17 Overhaul Management and Contract Administration

### OVERVIEW:

 DoD IG determined whether U.S. Army officials properly awarded and administered the Mi-17 overhaul effort under contract W58RGZ-09-D-0130-0102 in accordance with federal and DoD regulations and policies.

### FINDINGS:

Among the findings, the Non-Standard Rotary Wing Aircraft Project Management Office officials and the U.S. Army Contracting Command contracting officer did not properly procure Mi-17 parts inventory and did not effectively administer the contract for the



DoD IG determined whether U.S. Army officials properly awarded and administered the Mi-17 overhaul effort.

overhaul of five Pakistani Mi-17 aircraft. The ACC contracting officer allowed advance payments in violation of U. S. Code and the Federal Acquisition Regulation. The NSRWA PMO directed the procurement of an \$8.1 million Mi-17 parts inventory without performing a technical analysis or using existing DoD inventory, after the Office of Defense Representative Pakistan placed an operational hold on the scheduled overhauls. The contracting officer and NSRWA PMO officials misspent a total of \$7.1 million, or 88 percent, of the \$8.1 million. This amount included \$4.5 million for unnecessary Mi-17 parts that were not needed based on historical data and \$2.6 million for Mi-17 parts that were already in existing DoD inventory.

## RESULT:

Among the recommendations, DoD IG recommended the ACC recoup questioned costs of advance payments and unreasonable prices paid for the parts inventory, provide training to the ACC contracting officer assigned to this task order and improve quality assurance oversight of the contractor. In addition, DoD IG recommended a full inventory review of all Mi-17 parts currently in DoD inventories.

*Report No. DODIG-2013-123*

## NUCLEAR ENTERPRISE

National security of the U.S. nuclear enterprise extends to providing oversight for evaluating policies, procedures, plans and capabilities of security and control of nuclear weapons.

## Accountability of the Air Force's Classified Inventory of Nuclear Weapons-Related Material

### OVERVIEW:

 The report determined the status of the U.S. Air Force's supply-system procedures for receiving, marking, storing and shipping classified nuclear weapons-related material. The former deputy assistant secretary of defense for nuclear matters sought confirmation that the Air Force had made progress to correct loopholes that would prevent the accidental shipment of nuclear weapons-related material.

### RESULT:

The Air Force's procedures for receiving, marking, storing and shipping nuclear weapons-related

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material were adequately monitored with sufficient oversight. The integrated process team that the Air Force Directorate of Logistics, Nuclear Weapons, Munitions and Missile Maintenance Division established and the reports that the Air Force Audit Agency Acquisition and Logistics Audit Directorate issued addressed the concerns from the former deputy assistant secretary of defense for nuclear matters and DoD IG audit objectives. No further audit work by the Office of the Inspector General for Intelligence and Special Program Assessments is currently warranted; however, DoD IG plans to continue to periodically monitor Air Force oversight of nuclear weapons-related material. This report is redacted.

*Report No. DODIG-2013-064*

## Cryptographic Modernization of Critical Nuclear Command, Control, and Communications Systems

### OVERVIEW:

 This report examines the advocacy, programming, budgeting and execution of critical nuclear command, control and communications cryptographic modernization programs. The scope was limited to the modernizing of cryptographic components used in 25 critical communication networks.

### RESULT:

Senior leaders did not give priority to modernization programs; guidance was ambiguous, not adhered to or disjointed; and no single office is responsible for nuclear command, control and communications cryptographic modernization lifecycle requirements. This report is classified.

*Report No. DODIG-2013-085*

## Hotline Report on the Proposed Elimination of the Nuclear Command and Control System Support Staff

### OVERVIEW:

 This report describes the results of an investigation into allegations that the department was preparing to eliminate the Nuclear Command and Control System support staff, which is required by National Security Presidential Directive 28, while that directive remained in place. DoD IG interviewed the points of contact for each organization asked to coordinate on the proposed

elimination and reviewed applicable DoD and presidential guidance.

### RESULT:

DoD IG determined that the billets will not be eliminated; however, DoD IG has concerns regarding how the potential decision was staffed. Key offices were not consulted and the time allowed to coordinate was extremely short, resulting in an incomplete picture of the potential impact of the proposed action. This report is FOUO.

*Report No. DODIG-2013-089*

## OTHER

### Cost Increases and Delays Occurred During Closure and Land Transfers of Army Ammunition Plants and Chemical Depots Under Base Realignment and Closure 2005

### OVERVIEW:

 The audit was initiated in response to language contained in the report of the Committee on Appropriations accompanying H.R. 5854 (House Report 112-491), the Military Construction, Veterans Affairs and Related Agencies Appropriations Bill for FY 2013.

The report required DoD IG to review BRAC 2005 closures and land transfers, specifically the Committee directed DoD IG to review BRAC 2005 closures and



Cost increases and delays occurred during closure and land transfers at sites not known to be contaminated at the time of the BRAC recommendation.

report to the congressional defense committees on additional issues that delayed land transfer and increased costs to DoD.

#### **FINDINGS:**

Army Base Realignment and Closure officials incurred cost increases, ranging from \$665,000 to an indeterminable dollar value and indeterminable amount of delay in the transfer of land, at five of the six Army Ammunition Plants and Chemical Depots. Army officials and contractor personnel identified additional contamination at five sites that were unknown at the time of the BRAC recommendation; Army, Environmental Protection Agency, state environmental and local redevelopment authority officials disagreed on cleanup requirements at three sites; and Army officials identified additional factors at three sites.

#### **RESULT:**

DoD IG recommended that the chief, BRAC Division, Army Assistant Chief of Staff for Installation Management, establish a dispute resolution plan to resolve problems and disagreements between the Army, Environmental Protection Agency, state environmental officials and local redevelopment authority officials as they occur.

*Report No. DODIG-2013-114*

### National Geospatial-Intelligence Agency Did Not Comply With Base Realignment and Closure Legislation

#### **OVERVIEW:**

 DoD IG conducted this audit in response to a congressional request. DoD IG determined whether the National Geospatial-Intelligence Agency complied with Public Law 101-510, Defense Base Closure and Realignment Act of 1990, as amended. Specifically, DoD IG determined whether NGA complied with Base Realignment and Closure Recommendation 168, National Geospatial-Intelligence Agency Activities.

“*The National Geospatial-Intelligence Agency could have minimized or avoided \$11.4 million in total costs if it had incorporated a site scheduled for closure into the original plans...*”

#### **FINDINGS:**

The National Geospatial-Intelligence Agency could have minimized or avoided \$11.4 million in total costs if it had incorporated a site scheduled for closure into the original plans for the National Geospatial-Intelligence Agency Campus East as required by Base Realignment and Closure legislation.

#### **RESULT:**

Specifically, NGA and under secretary of defense for acquisition, technology, and logistics disagreed with DoD IG to close the remaining Newington, Va., site as required by BRAC. Instead, management continued to execute contractor operations at the Newington site even though BRAC legislation includes contractor personnel positions as part of the BRAC closure process.

*Report No. DODIG-2013-116*

## INVESTIGATIONS

The following cases are highlights of investigations conducted by DCIS and its federal law enforcement partners during the reporting period. DCIS investigations are listed under the following categories:

- Procurement fraud
- Public corruption
- Product substitution
- Health care fraud
- Illegal technology transfer

### PROCUREMENT FRAUD

Procurement fraud investigations continue to comprise a major part of the DCIS case inventory. Of all forms of white-collar crime, procurement fraud is probably the least visible, yet the most costly. Procurement fraud includes, but is not limited to, cost or labor mischarging, defective pricing, price fixing, bid rigging, and defective and counterfeit parts. The potential damage resulting from procurement fraud extends well beyond financial losses. This crime poses a serious threat to the ability of the Department to achieve its operational objectives and can have a negative effect on the implementation of programs. DCIS places the highest priority on investigations impacting safety and operational readiness to protect the welfare of warfighters throughout the procurement process.

# CORE MISSION AREAS

## DoD Contractor Ordered to Pay \$473 Million for False Claims Act Violations

### OVERVIEW:

A joint investigation with Air Force Office of Special Investigations determined that United Technology Corporation violated the Truth in Negotiations Act when they negotiated pricing and submitted claims to DoD for work performed on an Air Force contract. UTC was found liable for more than \$473 million in damages and penalties arising from a contract to provide aircraft engines for the F-15 and F-16 aircraft between 1985 and 1990. UTC proposed prices for the engine contract misrepresented how UTC calculated those prices, resulting in the government overpaying for the engines by hundreds of millions of dollars. UTC did not disclose historical discounts received from suppliers in the price proposal and knowingly used outdated information that excluded such discounts.

### RESULT:

Previously, UTC had been found guilty and ordered to pay the U.S. government \$7 million for violations of the False Claims Act. On June 17, 2013, UTC was further ordered by an appellate court to pay the government \$357 million in damages and penalties for violations of the False Claims Act and an additional \$109 million in damages for common law claims.

## U.S. Army Debars Blue Marsh Laboratory for Falsifying Water Test Results

### OVERVIEW:

A joint investigation with EPA-Criminal Investigative Division and Food and Drug Administration-Office of Criminal Investigations disclosed that Michael J. McKenna, president and owner of Blue Marsh Laboratory, prepared and mailed fraudulent water test results to DoD seeking payment for testing that was not done according to contract specifications. From June 2006 through December 2006, BML was subcontracted to perform water quality and sediment sampling analysis for various pollutants and chemistry for the U.S. Army Corps of Engineers at four reservoir parks in Pennsylvania. The parks were used for recreational activities such as swimming and contained numerous water fountains for human consumption. The investigation showed McKenna directed BML employees to falsify the water test results knowing the tests were not done according to contract specifications. In addition,



Blue Marsh Laboratory prepared and mailed fraudulent water test results to DoD seeking payment for testing that was not done according to contract specifications.

BML violated other contract requirements by not having the required testing equipment or personnel qualified to conduct the tests. BML provided testing services and reports to other customers such as local municipalities and business entities that were required to comply with EPA and Pennsylvania Department of Environmental Protection regulations.

### RESULT:

Previously, McKenna was sentenced to nine months of imprisonment, three years of supervised release, and to pay jointly and severally with BML, restitution of \$14,114 to the identified victims, of which, \$10,118 was directed to be paid to USACE. BML was sentenced to five-years of probation and joint and several payment of the \$14,114 restitution. On April 24, 2013, the U.S. Army debarred BML and McKenna from federal contracting and government-approved subcontracting until Aug. 12, 2016.

## PUBLIC CORRUPTION

Corruption by public officials poses a fundamental threat to the country's national security and overall safety and undermines the public trust in the government. Public corruption wastes billions of tax dollars and negatively affects DoD and the mission of the warfighter. DCIS combats this issue with the authority, resources and expertise to conduct undercover operations, court-authorized electronic surveillance and forensic audits. Using these tools,

DCIS holds accountable those who undermine the integrity of the DoD acquisition system. The entire procurement system is based on the trust and integrity of the public officials who oversee the purchase, quality, safety and security of the equipment, and services that warfighters require to carry out the mission.

### **Former DoD Contractor Jailed for Corruption Scheme in Kuwait**

#### **OVERVIEW:**

 A joint DCIS, FBI, U.S. Army Criminal Investigative Command and Special Inspector General for Iraq Reconstruction investigation disclosed that Wajdi Birjas, a former DoD contract employee in the Host Nation Affairs Office at Camp Arifjan, Kuwait, was involved in a bribery and money laundering scheme. The scheme involved corruption in the award of defense contracts at Camp Arifjan. Birjas had frequent contact with U.S. Army contracting officials, including officials regularly receiving unlawful payments from individuals who had contracts with or were seeking contracts from DoD. By bribing these Army contracting officials in 2005 and 2006, Birjas assisted his company in obtaining more than \$1.7 million in DoD contracts to provide various goods and services to the U.S. military. Birjas received a share of the profits that the contracts generated and was allowed to live rent-free in a villa in Kuwait. Birjas paid his co-conspirators more than \$100,000. Birjas also allowed another co-conspirator to hide bribe money in a hidden safe in the Kuwait villa. Birjas later assisted his co-conspirators in transferring the money back to the United States.

*“On April 2, 2013, Birjas was sentenced to 35 months in prison, three years of supervised release and ordered to forfeit \$650,000 for his participation in the bribery and money laundering scheme.”*

#### **RESULT:**

Previously, Birjas pleaded guilty to conspiracy to commit bribery and conspiracy to commit money laundering and was convicted. On April 2, 2013, Birjas was sentenced to 35 months in prison, three years of supervised release and ordered to forfeit \$650,000

for his participation in the bribery and money laundering scheme.

### **Army Corps of Engineers Bribery Scheme**

#### **OVERVIEW:**

 A joint investigation with the FBI, Internal Revenue Service, Small Business Administration and Army CID disclosed that several DoD contractors paid approximately \$6-7 million in bribes to U.S. Army Corps of Engineers program manager Kerry Khan and approximately \$1.5 million in bribes to USACE Program Director Michael Alexander. The bribes were paid in exchange for approximately \$731 million in subcontracts on USACE contracts for technology for infrastructure, geospatial and environmental requirements.

#### **RESULT:**

On July 11, 2013, Khan was sentenced to 19 years and seven months in prison for receipt of bribes and conspiracy to commit money laundering. Khan was ordered to pay \$32.5 million in restitution to USACE. The restitution is to be paid jointly and severally with seven previously convicted codefendants. This amount includes a forfeiture money judgment of \$11 million. Khan was also ordered to forfeit \$1.3 million in bank account funds; 13 properties in Virginia, Florida and West Virginia; and a vehicle.

### **Three Sentenced for Their Roles in a Bribery Scheme for DoD Contracts**

#### **OVERVIEW:**

 A joint investigation with Naval Criminal Investigative Service disclosed that supply technician Michelle Rodriguez, a former employee at Marine Corps Logistics Base Albany, Ga., accepted bribes to award contracts for machine products to companies owned by Thomas Cole and Frederick Simon. The investigation showed that from 2011, Rodriguez provided competitors' bid solicitations and suggested usually inflated bid amounts to Thomas Cole and Frederick Simon to win contracts in exchange for money. Rodriguez was paid \$75 cash per order. Cole's and Simon's companies received nearly 1,300 machine product orders. As a result of this scheme, the loss to the U.S. government was approximately \$907,000.

#### **RESULT:**

On June 6, 2013, Michelle Rodriguez, Thomas Cole and Frederick Simon were sentenced for

bribery. Rodriguez was sentenced to 70 months of confinement, forfeiture of \$161,000 and 36 months of supervised release. Cole was sentenced to 46 months of confinement, forfeiture of \$209,000 and 36 months of supervised release. Simon was sentenced to 32 months of confinement, forfeiture of \$74,500 and 36 months of supervised release. Rodriguez, Cole and Simon were jointly ordered to pay total restitution of \$907,000 to the Marine Depot Maintenance Command.

## U.S. Army Soldiers Sentenced for \$1.3 Million Army Finance Office Theft

### OVERVIEW:

 A joint DCIS, FBI and Army CID investigation disclosed that Staff Sgt. Jason Begany, Sgt. Edwin Vando and Sgt. Juan Lamboy-Rivera participated in a scheme to keep contract overpayments returned by a DoD contractor. While deployed with the 82nd Finance Battalion to Kabul, Afghanistan, Bagany was the noncommissioned officer-in-charge of the Camp Eggers finance office. Bagany, Vando and Lamboy-Rivera were responsible for ensuring that authorized contract payments were made to vendors. In May 2009, a contractor representative contacted the Camp Eggers finance office regarding a possible overpayment of \$1,297,959. Begany, Vando, Lamboy-Rivera and an interpreter reviewed the contract and determined that there was not an overpayment, but devised a plan to steal the money. Begany, through the interpreter, contacted the vendor, claimed that an overpayment had been made and directed the vendor to wire the money to a specific bank account. The bank account was set up by the interpreter to facilitate the theft. The interpreter then withdrew approximately \$500,000 from the account and gave approximately \$400,000 to Vando. Begany, Vando and Lamboy-Rivera split the money among themselves and purchased rugs and shipped some of the rugs to the United States.

“Additionally, the three codefendants were ordered to jointly and severally pay restitution of \$1.2 million to the DoD contractor.”

### RESULT:

Previously, Begany, Vando and Lamboy-Rivera pleaded guilty to converting property and aiding and abetting, and were convicted. On May 3, 2013, Vando and Lamboy-Rivera were both sentenced to 30 months in prison followed by three years of supervised release. On July 22, 2013, Begany was sentenced to 48 months in prison and three years of supervised release. Additionally, the three codefendants were ordered to jointly and severally pay restitution of \$1.2 million to the DoD contractor.

## Former DoD Auditor Violated Federal Conflict of Interest Rules

### OVERVIEW:

 A DCIS investigation disclosed that former Defense Contract Audit Agency auditor, Jodi Andres, represented DoD contractor Alaska Aerospace Development Corporation during communications and negotiations with DCAA regarding a contract she had previously audited. The investigation showed that from January 2003 to September 2006, Andres, as a DCAA auditor, worked on a multiyear, million-dollar Missile Defense Agency contract. Andres conducted both pre-award and post-award accounting system reviews for this contract and, as a result, had a significant role in the contract procurement process. Andres's audit results continued to be relied upon by DCAA during the risk assessment phase of audit planning to help determine areas of risk for subsequent audit effort relating to AADC. Andres resigned from DCAA and was hired as a controller with AADC. In July 2008, Andres represented AADC during communications and negotiations with DCAA for the same Missile Defense Agency contract she had previously audited and with the intent to influence DCAA regarding that contract. Her actions were in violation of a lifetime restriction that bars such communications.

### RESULT:

On July 22, 2013, Jodi Andres pleaded guilty to and was convicted of conflict of interest. The same day, Andres was sentenced to two years of probation and a \$5,000 fine.

## PRODUCT SUBSTITUTION

DCIS supports DoD and its warfighting mission through timely, comprehensive investigations of counterfeit, defective or substandard products, and substituted products that do not conform with the requirements of the contract. Nonconforming products disrupt readiness and waste economic resources. They also threaten the safety of military and government personnel and other end-users. When substituted products are deliberately provided to DoD, mission critical processes and capabilities can be severely impacted until those products are removed from the DoD supply chain. DCIS works with federal law enforcement partners, supply centers and the defense industrial base to ensure that DoD contractors provide the correct parts and components to meet DoD requirements. DCIS actively participates in the Defense Supply Center-Columbus Counterfeit Material/Unauthorized Product Substitution Team and partners at the national level with the Intellectual Property Rights Coordination Center, to focus on preventing the proliferation of counterfeit parts. Pooling the member agencies' resources allows for more effective detection and removal of inferior goods that threaten the safety of America's soldiers, sailors, airmen and Marines.

## Contractor Debarred for Supplying Nonconforming Parts to the Government

### OVERVIEW:

 A DCIS investigation disclosed that Barbara Cummings, aka Barbara Cummings Robinson, president of DoD contractor Chesapeake Corporation, and her corporation, were involved in procurement fraud schemes associated with Defense Supply Center-Columbus contracts. The investigation determined that the company was supplying automotive parts, primarily filters that did not meet the specified contract requirements. The nonconforming parts were for use in military vehicles and vessels, and hydraulic cranes. Some of the parts were critical application items.

### RESULT:

Previously, Cummings pleaded guilty to a bill of information charging her and her company with wire fraud and was convicted. Cummings was subsequently sentenced to one year of home confinement, 240 hours of community service, four years of probation

and ordered to pay \$998,951 in restitution. Chesapeake Corporation was sentenced to five years of probation, joint and several liability for the restitution and ordered to pay a \$50,000 fine. On April 19, 2013, the Defense Logistics Agency debarred the Chesapeake Corporation and Cummings from doing business with the federal government through Aug. 10, 2016.

## Defense Logistics Agency Debarred Aerospac Fasteners for Supplying Nonconforming Parts

### OVERVIEW:

 A DCIS investigation disclosed that Aerospac Fasteners, Inc. supplied nonconforming parts to a prime contractor of the Defense Logistics Agency. These parts were intended to be inventory for multiple military weapons system platforms, including the C-5 military transport aircraft, A-10 assault aircraft and B-52 bomber. The investigation showed that Paul J. Skiscim, president and CEO of Aerospac, supplied nonconforming pin rivets with "LS" markings when pin rivets with "HL" markings were specified by the contracts. Aerospac packaged the pin rivets with the false "HL" markings. DLA shipped the pin rivets to the Air Force for repairs on A-10 aircraft and noticed the "LS" markings were removed from the packaging. Pin rivets with the "HL" marking have a higher tensile strength and are a critical application item. From September 2010 through May 2011, DLA located and quarantined all fasteners traced to Aerospac. These



DLA debarred Aerospac Fasteners for supplying nonconforming parts intended to be inventory for military weapons system platforms, including the A-10 aircraft.

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fasteners were inspected and tested, resulting in the failure of 29 of 105 fasteners.

## RESULT:

On July 10, 2013, DLA debarred Aerospec and Paul Skiscim from all contracting and subcontracting with the federal government until Feb. 25, 2016. On July 30, 2013, AFI Aerospace, an affiliate of Aerospace, was debarred by DLA from all contracting and subcontracting with the government until June 16, 2016.

## DLA Suspends Suppliers and Owners for Supplying Nonconforming Microcircuits

### OVERVIEW:

 A joint investigation with Air Force Office of Special Investigations disclosed that Glenn Nichols and Steven Frediani, along with their companies, supplied nonconforming microelectronics designated as critical application items to Defense Supply Center-Columbus for contracts. The investigation showed that from Oct. 27, 2004, through Sept. 6, 2006, Instocomp, Inc., owned by Nichols, was awarded more than 100 DoD contracts for various microcircuits. DSAC quality assurance specialists performed an inspection of the products supplied by Instocomp and determined they were not original equipment manufacturer's parts as required by the contracts. The items supplied included a variety of digital microcircuits and semiconductors used on different aircraft, to include the E-3A AWACS, F-16, B-52, F-15 Eagle, E-2C, S-3B Viking, B1B and several submarines. Further DSAC review determined a second company, Military Product Exchange, was affiliated with Glenn Nichols and Instocomp. Frediani, former sales manager for Instocomp, produced fraudulent certificates of conformance at Nichols' direction. Frediani opened Military and Commercial Supply, Inc. and continued to conspire with Nichols and provided nonconforming microelectronics and semiconductors in more than \$200,000 worth of contracts issued by DLA Land and Maritime.

## RESULT:

On Feb. 26, 2013, Steven Frediani and Glenn Nichols were charged with conspiracy to commit aircraft parts fraud. On May 10, 2013, DLA Land and Maritime indefinitely suspended Instocomp, Inc. from doing business as IC Electronic Components, Core Integrated Circuits aka Core IC and/or Instocomp, Inc.; IC Power Exchange doing business as Military Product



DLA suspended suppliers and owners for supplying nonconforming microcircuits used on S-3B Viking.

Exchange, Instocomp, Inc. – Colorado, Military and Commercial Supply, Inc.; Glenn Nichols and Steven Frediani from federal government contracting. They were also suspended from directly or indirectly receiving the benefits of federal assistance programs or from purchasing surplus government property under Federal Property and Management Regulations.

## General Electric Aviation Systems Settles False Claims Act Allegations for \$6.5 Million

### OVERVIEW:

 A joint investigation with NCIS revealed that General Electric Aviation Systems allegedly submitted false claims in connection with numerous DoD contracts. GEAS allegedly failed to comply with contract specifications and failed to undertake proper quality control procedures in connection with 641 external fuel tanks delivered to the Navy between June 2005 and February 2008. The external fuel tanks were for the F/A-18 Hornet fighter. GEAS also allegedly supplied the Army with drag beams used on the Army's UH-60 Black Hawk helicopter. The drag beams were not properly inspected, which is in violation of contract requirements.

## RESULT:

On June 6, 2013, management of General Electric Aviation Systems entered into a civil settlement with the Department of Justice and agreed to pay \$6.5 million to settle allegations that they submitted false claims in connection with DoD contracts.

## HEALTH CARE FRAUD

The rising costs associated with health care continue to be a national concern. DCIS has experienced an increase in allegations of health care fraud, and combatting this crime is one of DoD IG's top investigative priorities. Of particular concern are allegations of potential harm to DoD military members and their dependents. In addition to patient harm, typical investigations scrutinize health care providers participating in corruption or kickback schemes, overcharging for medical goods and services, marketing of drugs for uses not approved by the Food and Drug Administration, and approving unauthorized individuals to receive TRICARE health care benefits. DCIS continues to proactively target health care fraud through coordination with other federal agencies and participation in federal and state task forces.

### Health Care Provider Agreed to Pay \$6 Million to Settle False Claims Act Allegations

#### OVERVIEW:

A joint investigation with the FBI, Health and Human Services Office of Inspector General, and Office of Personnel Management alleged TranS1, Inc. knowingly caused health care providers to submit claims with incorrect diagnoses or procedure codes for certain minimally-invasive spine fusion surgeries. The physicians used TranS1's AxialLIF System, a device developed as an alternative to invasive spine fusion surgeries. It was further alleged that TranS1 improperly counseled physicians and hospital staff to bill for their system using codes intended for more invasive spine fusion surgeries. As a result, the health care providers received greater reimbursement than they were entitled to for performing the minimally-invasive AxialLIF procedures. This was a qui tam case.

#### RESULT:

On June 28, 2013, TranS1 agreed to pay the United States \$6 million to resolve allegations under the civil False Claims Act that the company caused health care providers to submit false claims to Medicare and other federal health care programs. Of this amount, TRICARE will receive \$558,900 and the relator will receive \$1 million.

### \$24.9 Million Settlement by Amgen to Settle Allegations of False Claims

#### OVERVIEW:

A joint investigation with Health and Human Services OIG disclosed that Amgen allegedly paid kickbacks to long-term care pharmacy providers—Omnicare Inc., PharMerica Corporation and Kindred Healthcare Incorporated—to increase market share for Aranesp. Amgen develops, manufactures and sells pharmaceutical products, including products sold under the trade name Aranesp. The investigation showed that from Sept. 1, 2003 through Dec. 31, 2011, Amgen allegedly offered and paid illegal remuneration such as rebates, grants, honoraria, speaker fees, consulting services and gifts to induce Omnicare, PharMerica and Kindred to recommend Areanesp and to influence health care providers' selection and utilization of Aranesp within nursing homes, skilled nursing facilities and long-term care settings.

#### RESULT:

On April 4, 2013, the Department of Justice entered into a civil settlement agreement with Amgen, in which Amgen agreed to pay \$24.9 million to resolve False Claims Act allegations. Of this amount, TRICARE's portion is \$136,542.

### \$4.2 Million Settlement by East Tennessee Hematology-Oncology Associates for False Claims

#### OVERVIEW:

A joint investigation with FDA-OCI, FBI and Tennessee Bureau of Investigations disclosed that William R. Kincaid, M.D., Millard R. Lamb, M.D., and Charles O. Famoyin, M.D., former partners of East Tennessee Hematology-Oncology Associates, P.C. conducting business as McLeod Cancer and Blood Center, knowingly caused the submission of false claims to Medicare, Medicaid, TRICARE and TennCare programs for misbranded unapproved chemotherapy drugs that were administered through the McLeod Cancer clinic. The investigation showed that from 2007 to early 2008 and from August 2009 to February 2012, the managing partner, Kincaid, purchased a substantial amount of chemotherapy drugs from a drug distributor in Canada. The Canadian distributor obtained these drugs from foreign sources and the drugs were not manufactured in establishments that were registered with the FDA. Drugs with labeling

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in a language other than English or from foreign sources not registered with the FDA are considered misbranded. Kincaid, Lamb and Famoyin administered these drugs to their patients and submitted claims for the drugs to health benefit programs for payment.

“On June 10, 2013, Kincaid was sentenced to 24 months of imprisonment and ordered to pay a \$10,000 fine.”

## RESULT:

Previously, Kincaid pleaded guilty to receiving misbranded drugs with intent to defraud or mislead and was convicted. On June 10, 2013, Kincaid was sentenced to 24 months of imprisonment and ordered to pay a \$10,000 fine. Lamb and Famoyin were minority owners of the company and were not criminally charged. On July 2, 2013, the Department of Justice entered into a civil settlement agreement with Kincaid, Lamb and Famoyin, who agreed to pay, via separate settlement agreements, \$4.2 million plus interest to resolve allegations they allegedly violated the False Claims Act. Kincaid’s portion of the civil settlement is \$2.5 million, and he agreed to be excluded from federal health care programs for 10 years. Lamb and Famoyin are each responsible for payments of \$850,000. TRICARE’s portion of the settlement is \$26,966.

## \$26 Million Settlement by Shands Healthcare for False Claims

### OVERVIEW:

A joint investigation with Health and Human Services OIG disclosed that Shands Jacksonville Healthcare, Inc. and Shands at the University of Florida (collectively, Shands Healthcare) allegedly violated the False Claims Act by submitting charges to Medicare, Medicaid and TRICARE for medically unnecessary services related to one-day inpatient stays and observation status charges. The investigation showed that from 2003 through 2008, Shands Healthcare and affiliates allegedly submitted inpatient claims to Medicare, Medicaid and TRICARE for certain services and procedures that Shands Healthcare allegedly knew were correctly billable only as outpatient services or procedures. During an

audit that Shands Healthcare initiated specific to the observation status and one-day inpatient charges, the auditors discovered the vast majority of claims made by Shands Healthcare to TRICARE and Medicare did not meet TRICARE and Medicare guidelines to be paid under the codes billed. The audit revealed that the documentation provided by Shands Healthcare to justify the claims was inadequate or missing. This was a qui tam case.

### RESULT:

On July 29, 2013, the Department of Justice entered into a civil settlement agreement with Shands Healthcare in which the company agreed to pay \$20.6 million to the U.S. government to settle the allegations of fraud. Of that amount, TRICARE will receive \$1 million and the relator will receive \$4.5 million. In addition, Shands agreed to pay the state of Florida \$829,600, of which \$157,624 will go to the relator.

## Pediatrix Medical Group of Texas Pays More Than \$2 Million to Settle Claims of Fraudulent Billing

### OVERVIEW:

A joint investigation with the FBI and Office of Personnel Management OIG disclosed an alleged scheme for inflating billing by Pediatrix Medical Group of Texas who allegedly submitted false claims for payment to TRICARE and the Federal Employees Health Benefits Program in connection with newborn hearing screenings.

### RESULT:

On April 11, 2013, Pediatrix Medical Group of Texas and parent company MEDNAX, entered into a civil settlement with the Department of Justice in which the companies agreed to pay the government a total of \$2.2 million to settle allegations of fraud. Of this amount, TRICARE will receive \$1.2 million.

## Health Care Provider Pays \$14.5 Million to Settle Allegations of Overbilling

### OVERVIEW:

A joint investigation with Health and Human Services OIG and Office of Personnel Management OIG indicated that Sound Inpatient Physicians, Inc. allegedly submitted inflated claims for payment to federal health care programs. The claims for hospitalist services rendered to program

beneficiaries were allegedly billed as higher level services than those that were actually provided and/or documented on corresponding medical records. Sound Inpatient Physicians employs physicians and contracts with hospitals for physicians' "hospitalist" services. Hospitalists assume the care of hospitalized patients in the place of the patients' primary care physician. Between Jan. 1, 2008, and July 31, 2009, TRICARE paid \$681,000 to Sound Inpatient Physicians for claims of \$7.2 million. This was a qui tam case.

#### **RESULT:**

On June 26, 2013, Sound Inpatient Physicians entered into a civil settlement agreement with the Department of Justice and agreed to pay the U.S. government \$14.5 million to settle the allegations of fraud. Of the government's share, TRICARE will receive \$125,898 and the realtor will receive \$2.6 million.

### **ILLEGAL TECHNOLOGY TRANSFER**

DCIS serves a vital role in national security through investigations of theft and illegal export or diversion of strategic technologies and U.S. Munitions List items to banned nations, criminal enterprises and terrorist organizations. This includes the illegal transfer or theft of defense technology, weapon systems, and other sensitive components and programs. Consistent with its role in protecting America's warfighters, DCIS is an integral participant in the President's Export Control Reform Initiative. DCIS is a charter member of the Export Enforcement Coordination Center, a multiagency center established to serve as a focal point for the coordination and enhancement of government export enforcement efforts.

### **DoD Contractor Sentenced for Attempting to Purchase Restricted U.S. Technology for Shipment to Iran**

#### **OVERVIEW:**

A joint investigation with the FBI, Department of Homeland Security-Counter Proliferation Group and the Department of Commerce disclosed that Seyed Amin Ghorashi Sarvestani, owner of Skylinks FZC, Dubai, attempted to purchase restricted U.S. satellite equipment and transship it to Iran in violation of the International Emergency Economic Powers Act.

#### **RESULT:**

He pleaded guilty to conspiracy to violate the IEEPA and was convicted. On Aug. 14, 2013, Sarvestani was sentenced to 30 months of imprisonment and ordered to pay a \$100,000 fine and \$54,000 in criminal forfeiture.

### **UK Arms Dealer Illegally Hid Chinese Origin of Rifle Magazines Sold to DoD**

#### **OVERVIEW:**

A joint investigation with the Bureau of Alcohol, Tobacco, Firearms and Explosives and Immigration and Customs Enforcement-Homeland Security Investigations determined that United Kingdom citizen and international arms dealer Gary Hyde deliberately altered the origin markings of AK-47 drum magazines to facilitate their sale to DoD. Hyde purchased 6,000 Chinese-manufactured 7S-round AK-47 rifle drum magazines and deliberately altered the origin markings to show Bulgaria as the country of origin. Hyde sold the altered magazines to AMCHAR Wholesale, Inc., also known as American Tactical Imports. ATI in turn, supplied the Chinese-made magazines to the DLA.

#### **RESULT:**

On May 15, 2013, Hyde pleaded guilty to removing and altering country of origin markings on imported articles and was convicted. On May 20, 2013, Hyde was sentenced to time served, approximately three months.



A UK arms dealer deliberately altered the origin markings of AK-47 drum magazines to facilitate their sale to DoD.

## Foreign Export Company Conspired to Provide Chinese Company with Restricted Defense Articles

### OVERVIEW:

 A joint investigation with Immigration and Customs Enforcement disclosed Kevin Zhang, owner of Wayfarer Trade Ltd., contacted a Northrup Grumman business manager in an attempt to purchase several G2000 dynamically-tuned gyroscopes. The G2000 DSP-1500 dynamically-tuned gyroscopes are used in the small aperture radar systems of tactical unmanned aerial vehicles. Zhang further added the end user of the gyroscopes as Beijing Zebanon Science & Technology Co., Ltd in China. Northrup Grumman informed Zhang that the gyroscopes in question are controlled by the International Traffic and Arms Regulation and require an export license from the Department of State regardless of the end user.

### RESULT:

Previously Zhang was arrested when he attempted to enter the United States from Canada at the Washington border. He pleaded guilty to conspiring to export a defense article without a license and was convicted. On April 15, 2013, Zhang was sentenced to time served (approximately seven months), three years of supervised release and ordered to report to a probation officer should he re-enter the United States.

especially in the areas of rehabilitation and transition care. It is critical for DoD IG to maintain vigorous oversight of the health and safety challenges facing the Department, not only to ensure that wounded warriors receive high-quality health care but that DoD health care dollars are spent wisely and prudently.

DoD IG supports this priority by focusing its oversight efforts on preventing and detecting fraud, waste and abuse, and improving efficiency and effectiveness of the programs affecting the health and safety of service members and employees.

## Assessment of DoD Wounded Warrior Matters – Fort Riley

### OVERVIEW:

 The report is the fifth of six site assessments conducted at Army Warrior Transition Units and Marine Corps Wounded Warrior Battalions. In this assessment, analysts evaluated whether the Warrior Transition Battalion, Fort Riley, Kan., effectively and efficiently managed the programs for medical care and transition of wounded, ill and injured warriors. The examination of the missions, policies and processes in place to assist warriors in transition with their return to duty status or transition to civilian life were of high concern.

### RESULT:

The command implemented several noteworthy initiatives at both the Fort Riley WTB and Irwin Army Community Hospital. There were also a number of significant challenges that require corrective action by the responsible Army commanders to increase program effectiveness and efficiency. One example is the need for the command to examine adequate funding and other resources to support the necessary level of WTB personnel, ongoing staff training requirements and support services to maintain optimal staffing levels and ratios. Another concern is for the command to evaluate the current and future cadre personnel requirements of the Warrior Transition Units to ensure that staffing levels, including squad leaders and nurse case managers, are appropriate to meet the mission for effective management and support of soldiers during their healing and transition.

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# INSPECTIONS

## HEALTH AND SAFETY

DoD IG has identified health care as one of the critical management and performance challenges facing the Department. The military health care system provides services to approximately 9.5 million beneficiaries, including active duty personnel and their families. Of special concern is the proper care and support to the thousands of soldiers, sailors, airmen and Marines wounded due to combat actions in Operations Iraqi and Enduring Freedom.

Medical care required by military personnel is expected to increase in the next several years,

## Assessment of DoD Wounded Warrior Matters – Joint Base Lewis-McChord

### OVERVIEW:

 The report is the sixth site report to discuss the care, management and transition of recovering service members. Specifically, this analysis examined the programs for the care, management and transition of soldiers in the Warrior Transition Battalion, Joint Base Lewis-McChord, Wash., and how they were managed effectively and efficiently. The efficiency and effectiveness of whether the missions, policies and processes were in place to assist warriors in transition with their return to duty status or transition to civilian life were of particular interest. Also, the efficiency and effectiveness of DoD programs for service members affected with traumatic brain injury and post-traumatic stress disorder were of particular interest.

### RESULT:

The command implemented several initiatives at both the WTB and Madigan Army Medical Center that DoD IG believed to be noteworthy practices for supporting the comprehensive care, healing and transition of soldiers. The report also identified a number of significant challenges such as the need to develop policy guidance for Reserve Component soldiers who volunteer for WTB positions to attend training prior to or in route to their assignment at the WTB. Another observation was the need to evaluate current and future manning requirements of WTBs to ensure they are appropriately staffed to meet the mission and have experienced cadre in place to effectively manage and support soldiers during their healing and transition

*Report No. DDDIG-2013-087*

## JOINT WARFIGHTING AND READINESS

DoD IG has identified joint warfighting and readiness, and training and equipping the Iraq and Afghan Security Forces as critical management and performance challenges facing the Department. While the Department is continuing to equip the Iraq Security Forces through the Office of Security Cooperation-Iraq, operating under Chief of Mission authority at the U.S. Mission-Iraq, it is also engaged in the mission to train, equip and mentor the Afghan Security Forces.

Between now and the completion of the scheduled drawdown of combat forces at the end of 2014, the DoD will continue training, equipping, partnering and mentoring the ANSF to enable it to assume the leading security operations role.

## Assessment of Afghan National Security Forces Metrics, Ministry of Interior Police Forces

### OVERVIEW:

 DoD IG selected, summarized and concisely presented six months of quantitative and qualitative metrics deemed indicative of progress toward the goal of developing a sustainable Afghan National Security Force for transition to Afghan control by 2014. Reports are produced separately for the Afghan National Police and the Afghan National Army.

### RESULT:

This assessment provided indications of Afghan National Police development over the six-month period, October 2012 to March 2013. The selected metrics tracked ANP/Ministry of Defense development in the areas of sustainment, professionalization and ANP/MoD transition to Afghan security lead. This report is classified.

*Report No. DDDIG-2012-034.5*

## Assessment of Afghan National Security Forces Metrics, Afghan National Army (ANA)

### OVERVIEW:

 DoD IG selected, summarized and concisely presented six months of quantitative and qualitative metrics deemed indicative of progress toward the goal of developing a sustainable Afghan National Security Force for transition to Afghan control by 2014. Reports are produced separately for the Afghan National Police and the Afghan National Army.

### RESULT:

This assessment provided indications of Afghan National Army development over the six-month period, October 2012 to March 2013. The selected metrics tracked ANA/Ministry of Defense development in the areas of sustainment, professionalization and ANA/MoD transition to Afghan security lead. This report is classified.

*Report No. DDDIG-2012-034.6*

# CORE MISSION AREAS

## Planning for the Effective Development and Transition of Critical ANSF Enablers to Post-2014 Capabilities Part I – Afghan National Army Enabler Description

### OVERVIEW:

 Based on observations from the Coalition Force, DoD IG was asked to review plans and activities that are in place to mature enabling capabilities (enablers) identified as being critical to the ability of the Afghan National Army to conduct and sustain independent operations.

### RESULT:

This report is classified.

*Report No. DODIG-2013-129*

## Assessment of the Office of Security Cooperation – Iraq Mission (OSC-I) Capabilities

### OVERVIEW:

 This report is the latest of three and was in coordination with Department of State OIG Audit for the assessment of the realignment of the U.S. Mission Iraq. The evaluation was designed to address the adequacy of DoD support for executing security cooperation programs in Iraq and whether the Office of Security Cooperation–Iraq is organized, equipped and prepared to successfully accomplish its mission.

### RESULT:

Management concurred with all 18 recommendations, some of which were to designate a senior defense official in Iraq and to plan and accelerate integrating the OSC-I into the U.S. Mission Iraq. Of particular note, the results indicated that Department of State and DoD had not come to an agreement on the



DoD IG assessed the adequacy of DoD support for executing security cooperation programs in Iraq.

OSC-I mission; that the process used to direct OSC-I personnel reductions did not fully consider its mission priorities; that the OSC-I had not fully integrated into the U.S. mission; and that joint DoD doctrine did not sufficiently support or address the post-2011 inter-departmental transition of OSC-I responsibilities that were evident in Iraq.

*Report No. DODIG-2013-136*

## Assessment of U.S. Government and Coalition Efforts to Develop Leaders in the Afghan National Army (ANA)

### OVERVIEW:

 The purpose of this report was to assess the sufficiency and the effectiveness of the coalition force's programs for developing Afghan National Army officers and noncommissioned officers. Analysts conducted interviews with selected leader development subject matter experts in the United States. In Afghanistan, extensive interviews were conducted with U.S. and coalition advisors, as well as their Afghan principals, at the Ministry of Defense, the general staff and ANA training schools and operational units.

### RESULT:

In general, coalition force's programs for the ANA leader development were effective and on schedule for transition to the Afghans. The establishment of a noncommissioned officer corps, and the roles and responsibilities accompanying this enlisted leadership position, were not completely embraced by senior ANA and general staff personnel. The lack of a true merit-based personnel promotion and assignment system negatively impacted the further development of a new generation of ANA leaders. In addition, among coalition advisors to the ANA, at both training schools and operational units, there was a wide variation in the selection for assignment and specific advisor training preparation. Coalition command data assessment practices and categories did not appear to have been updated to reflect the change in mission emphasis from building the ANA to improving its quality. Of special note was the ANA literacy program. In a country with a very low national literacy rate, this educational program serves not just as an immediate benefit to the ANA, but also eventually the larger nation of Afghanistan by, as one senior officer said, "...allowing Afghans to be more discerning..."

*Report No. DODIG-2013-094*

## Assessment of U.S. Government and Coalition Efforts to Train, Equip, and Advise the Afghan Border Police

### OVERVIEW:

 The report evaluated the capabilities of the Afghanistan Border Police. The International Security Assistance Force Joint Command and NATO Training Mission-Afghanistan/Combined Security Transition Command-Afghanistan, in coordination with the Ministry of Interior and the Afghan National Police, have committed to the development of the border police force. The Afghan Border Police is one of the eight police force pillars that comprise the Afghan National Police. It consists of personnel recruited, trained and assigned to provide security to the border security zone that extends 50 kilometers into Afghan territory, as well as at border crossings and ports of entry, such as airports and rail crossings. This mission entails significant shared responsibilities and capabilities on the part of coalition forces. ISAF is the executive agent responsible for planning and executing the border police program. ISAF Joint Command is responsible for the general support of the program and the border police units operating within their battle space.

### RESULT:

Although work remains to be accomplished, there were several noteworthy areas of progress such as coalition forces coordination, joint border coordination centers, Ministry of Interior Logistics System development and the development and use of Afghan trainers. Areas of concern include the overall

border strategy, use of enablers, corruption at border crossings and overall control of logistics.

*Report No. DODIG-2013-081*

## Assessment of DoD Long-Term Intelligence Analysis Capabilities

### OVERVIEW:

 The report evaluated multiple concerns about the perceived degradation of the Defense Intelligence Enterprise to perform long-term intelligence analysis as a result of a decade-long focus on counterinsurgency crisis support. The common thread gleaned from the review was that it is not analytic capacity that is in short supply but rather subject matter expertise. Additional mission requirements, an increase in the magnitude and variety of analytic questions, crisis response fatigue and customer-shortened expectations have all stressed the Defense Intelligence Enterprise's capability to produce and retain the subject-matter expertise.

### RESULT:

Recommendations provided to the Office of the Secretary of Defense staff have led to the development of a plan of actions and milestones to address emerging requirements, intelligence analysis resources and certification training necessary to develop subject-matter expertise. Initially, management concurred with only two of three recommendations, but subsequently provided comments that satisfied the original finding. This report is classified.

*Report No. DODIG-2013-112*



DoD IG evaluated the capabilities of the Afghanistan Border Police.

## Inspection of DoD Detainee Transfers and Assurances

### OVERVIEW:

 The report is the third in a series of inspections under the recommendation of the Special Task Force on Interrogation and Transfer Policies, an interagency task force that Executive Order 13491 created Jan. 27, 2009. It examined assurances regarding the transfer of detainees from DoD custody to foreign nations; specifically, this involved the process for obtaining those assurances, the content of the assurances, implementing and monitoring the assurances, and post-transfer treatment of persons transferred from the Guantanamo Bay Detention Facility, Iraq, and Afghanistan between Aug. 24, 2011, and Feb. 28, 2013.

# CORE MISSION AREAS

## RESULT:

No significant changes were identified from the last inspection. This report is classified.

*Report No. DODIG-2013-127*

## INFORMATION ASSURANCE, SECURITY AND PRIVACY

One of the challenges that DoD faces is defending its information and information systems against cyber threats. On a daily basis, DoD information technology infrastructures are attacked by those wanting to not only steal DoD information but also do harm to DoD programs, operations and personnel. As stated in the Quadrennial Defense Review, "in the 21st century, modern armed forces simply cannot conduct effective high-tempo operations without resilient, reliable information and communication networks and assured access to cyberspace. DoD must actively defend its networks."

## Federal Voting Assistance Program

### OVERVIEW:

 This report complies with the congressional requirement that DoD IG assesses and reports to Congress, at least annually, on both the level of compliance and the level of effectiveness of voting assistance programs during the preceding year. DoD voting assistance programs provide U.S. citizens worldwide a broad range of nonpartisan information and support to facilitate their participation in the voting process. This review was conducted from December 2012 through April 2013 and reviewed the voting analysis reports from the Army, Navy, Air Force and Marine Corps IGs.

### RESULT:

The reviewers found that all services had functioning voting assistance programs, had persons assigned to appropriate voting assistance program duties and that they complied with regular oversight of their individual voting programs. However, there were several issues noted pertaining to the execution of the programs such as potential staffing overlaps, outdated regulations and accommodation of new technological advances to provide information. There were eight recommendations made in this report.

*Report No. DODIG-2013-074*

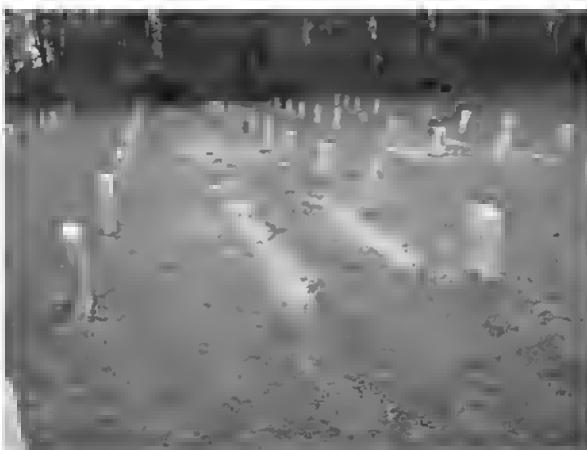
## Assessment of U.S. Military Cemeteries

### OVERVIEW:

 After a significant level of concern was raised about Arlington National Cemetery, Congress, in the 2012 National Defense Authorization Act, directed DoD IG to conduct an inspection of the cemeteries where military services have jurisdiction. Of particular interest, the inspections included an assessment of the adequacy of the statutes, policies and regulations governing the management, oversight, operations, and interments or inurnments of the military cemeteries under review. This was the first time these cemeteries had been examined by an outside agency. DoD IG conducted the field assessment of this report from April through September 2012.

### RESULT:

While DoD IG found that each cemetery had different circumstances, they all had the same mission and the same types of challenges and issues. DoD IG made six observations and 20 recommendations. In general, the installation and garrison commanders and their cemetery management staffs were very dedicated and conscientious with respect to management of cemetery operations. Overall, the services do well at honoring the dead. All interments were accounted for within the statistical sample of grave sites and, generally, the military services managed their cemeteries in an adequate manner. However, regulation guidance and cemetery management was inadequate in many instances. In addition, DoD IG found that funding for cemetery operations remained an issue across all military services. Furthermore,



DoD IG conducted field assessments of the cemeteries where military services have jurisdiction.

annual inspections required by Army regulation were incomplete or had not been performed at all. It was also found that the Navy and Air Force do not have an annual inspection requirement.

*Report No. DODIG-2013-098*

### Release of DoD Information to the Media

#### OVERVIEW:

 This report responded to questions posed by then-chairman of the House Homeland Security Committee regarding the support provided to "Hollywood executives" making a film about the raid that successfully killed Usama bin Laden.

#### RESULT:

The report addresses, in depth, four questions posed by the chairman. The Executive Office of the President did communicate with DoD regarding providing filmmakers access to the under secretary of defense for intelligence. DoD IG found no communications between DoD personnel and the Executive Office of the President which discussed access to military special operators. DoD did not expect to review the script because only official requests for support require script submission, and the filmmakers never asked for formal support. There is no requirement for the filmmakers to provide DoD pre-publication review for any productions which the DoD did not formally support. DoD special operators involved with the bin Laden raid were present during one event at which a filmmaker was also present; DoD IG was unable to identify any precautionary measures taken to protect the identity of operators who attended this event. Within DoD, DoD IG did not identify instances where any special operations tactics, techniques, and procedures-related information was provided to filmmakers. The review resulted in referrals within DoD IG, as well as referrals external to the DoD.

*Report No. DODIG-2013-092*

### DoD Evaluation of Over-Classification of National Security Information

#### OVERVIEW:

 This was the first of two reports required by Public Law 111-258, Section 6(b), which mandates that inspectors general of federal departments or agencies, with an officer or employee who is authorized to make original classifications, conduct an evaluation to determine whether classification policies, procedures, rules, regulations and management practices have been adopted and are followed and effectively administered. DoD IG found that applicable classification policies, procedures, rules and regulations have been adopted; however, in some circumstances had not been followed or effectively administered. DoD IG also concluded that some policies, procedures, rules, regulations or management practices may be contributing to persistent misclassification of material. Additionally, DoD IG found several instances where the inaccurate use of dissemination control and handling markings could unnecessarily restrict information sharing. Finally, while there is still room for improvement, DoD continues to make advances with program management, reporting costs and security classification activities, and advancing policies that will help in constraining over-classification.

#### RESULT:

DoD IG made nine recommendations in support of policies and procedures that will assist in countering the persistent misclassification of material. The Office of the Under Secretary of Defense for Intelligence, and the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics concurred with the recommendations and have begun taking steps to address identified issues.

*Report No. DODIG-2013-142*

## ADMINISTRATIVE INVESTIGATIONS

The DoD IG Office of the Deputy Inspector General for Administrative Investigations consists of two directorates: Whistleblower Reprisal Investigations and Investigations of Senior Officials. AI completed an organizational transformation to achieve its vision of becoming the model administrative investigations organization in the federal government:

- Attained 95 percent of authorized full-time equivalent positions.
- In May 2013, AI led a joint DoD and intelligence community IG accountability review of the disciplinary processes and disciplinary actions taken in response to substantiated Intelligence Community Offices of Inspector General investigation reports from FY 2009 through FY 2012.
  - The Senate Select Committee on Intelligence requested the review. More than 20 inspector general personnel from six agencies participated: Office of the Director of National Intelligence, Department of Defense, Defense Intelligence Agency, National Geospatial-Intelligence Agency, National Reconnaissance Office and National Security Agency.
  - As a result of the team's recommendations, each agency made improvements in agency processes and internal controls that will enhance the transparency and accountability in the intelligence community in the future. AI provided copies of the final report to the Senate Select Committee on Intelligence and other congressional committees.
  - Completed phase II in the development of the next generation complaint database and management information system—the Defense Case Activity Tracking System. D-CATS enables full lifecycle tracking and monitoring of reprisal and senior official misconduct investigations.
  - Continued robust quarterly internal control reviews of investigative case files using Council of the Inspectors General on Integrity and Efficiency and General Accountability Office review criteria.

## WHISTLEBLOWER REPRISAL INVESTIGATIONS

The Whistleblower Reprisal Investigations Directorate investigates and conducts oversight reviews of investigations conducted by the military service and defense agency IGs into allegations of whistleblower reprisal made by DoD military service members, nonappropriated fund instrumentality employees, and DoD contractor employees under Title 10 of the U.S. Code. WRI additionally investigates allegations that military members were restricted from communicating with a member of Congress or an IG. WRI also investigates, under the authority of the IG Act and on a discretionary basis, allegations of reprisal filed by DoD appropriated fund civilian employees.

DoD IG is committed to maintaining the Department's whistleblower protection program as a model for the federal government by improving the timeliness and quality of reprisal investigations. During the reporting period, DoD IG implemented numerous enhancements to WRI's investigative and oversight functions:

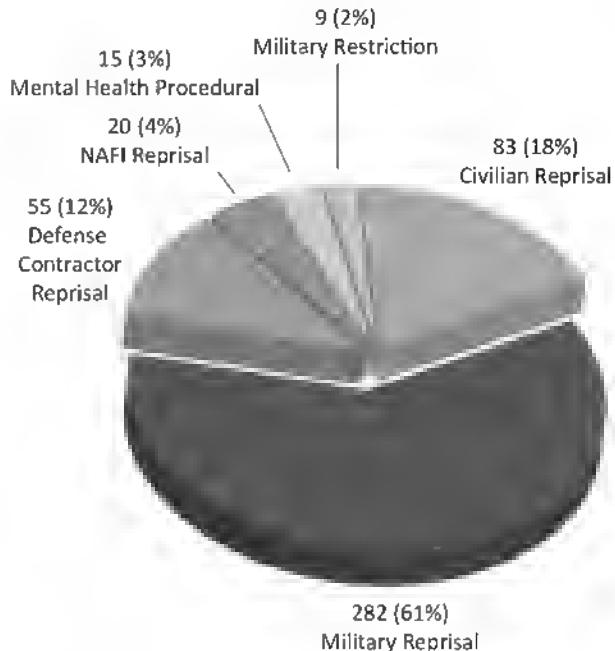
- Staffed the DoD IG Policy Memorandum 2013-5, Protecting Whistleblowers with Access to Classified Information in DoD OIG, June 18, 2013, and certified to the under secretary of defense for intelligence that DoD IG had implemented Presidential Policy Directive 19, Protecting Whistleblowers with Access to Classified Information. [Note: for details on recent enhancements to whistleblower protections, see the insert]
- Renewed emphasis on Council of Inspectors General on Integrity and Efficiency quality standards for investigations, to include incorporation of CIGIE standards into oversight reviews.
- Expanded the DoD IG whistleblower outreach program and provided robust whistleblower protection and reprisal training to DoD IG and component IG staff.
- Collaborated and shared best practices with other members of DoD IG and federal whistleblower protection community.
- Filled several new positions focused on administration, policy and outreach, in addition to key investigative vacancies to address the continually increasing number of whistleblower reprisal complaints filed with DoD IG and the military services.

## REPRISAL INVESTIGATIONS

During the reporting period, the Department received a total of 464 complaints involving reprisal, restriction from communicating with a member of Congress/inspector general and procedurally improper mental health evaluation referrals. The Department closed a total of 477 complaints.

The chart, below, shows the number and type of complaints closed by DoD IG and the service/defense agency IGs during the period, along with the total closed during FY 2013. Of the 477 complaints closed this period, 325 were dismissed due to insufficient evidence to warrant an investigation, nine were withdrawn, and 143 were closed following full investigations. Of the 143 investigations closed, 14 involved procedurally improper mental health evaluation referrals (six substantiated [43 percent]); three involved restriction from communicating with a member of Congress/inspector general (three substantiated [100 percent]); and 126 involved whistleblower reprisal (11 substantiated [9 percent]).

Figure 2.1 Total Complaints Received During FY 2013 (2nd Half)



**Total:** 464 complaints

Figure 2.2 Complaints Closed Second Half FY2013 and FY2013 Totals

Reprisal, Restriction, and Mental Health Procedural Complaints  
Closed in FY2013 (2nd Half) and FY 2013 Total

	Total Closed	Dismissed	Withdrawn	Investigated	Substantiated Cases	Substantiation Rate
<b>Type of Complaint</b>						
Civilian Reprisal	99	90	1	8	1	13%
Military Reprisal	92	76	8	8	1	13%
Defense Contractor Reprisal	54	51	0	3	0	0%
NAFI Reprisal	21	15	0	6	0	0%
<b>Subtotal FY 13 (2nd Half)</b>	<b>266</b>	<b>232</b>	<b>9</b>	<b>25</b>	<b>2</b>	<b>8%</b>
Military Restriction	5	3	0	2	2	100%
Mental Health Procedural	3	3	0	0	0	0%
<b>Total FY13 (2nd Half)</b>	<b>274</b>	<b>238</b>	<b>9</b>	<b>27</b>	<b>4</b>	<b>15%</b>
<b>Type Complaint</b>						
<b>Closed by Component IG with Oversight Review by DoD IG</b>						
Civilian Reprisal	2	1	0	1	0	0
Military Reprisal	183	83	0	100	9	9%
<b>Subtotal FY 13 (2nd Half)</b>	<b>185</b>	<b>84</b>	<b>0</b>	<b>101</b>	<b>9</b>	<b>9%</b>
Military Restriction	1	0	0	1	1	100%
Mental Health Procedural	17	3	0	14	6	43%
<b>Subtotal FY13 (2nd Half)</b>	<b>203</b>	<b>87</b>	<b>0</b>	<b>116</b>	<b>16</b>	<b>14%</b>
<b>Total FY13 (2nd Half)</b>	<b>477</b>	<b>325</b>	<b>9</b>	<b>143</b>	<b>20</b>	<b>14%</b>
<b>Closed in FY13 (1st and 2nd Half)</b>						
<b>Grand Total FY13</b>	<b>755</b>	<b>524</b>	<b>22</b>	<b>209</b>	<b>30</b>	<b>14%</b>

# CORE MISSION AREAS

## Substantiated Whistleblower Reprisal/Restriction/Procedurally Improper Mental Health Evaluation Allegations

- An Army lieutenant general attempted to restrict two Army colonels from communicating with a DoD IG inspection team by sending three restrictive emails. An Army major general also restricted one of the colonels when he forwarded one of the emails and directed that the colonel be reminded of the lieutenant general's restrictive order. The restrictive actions caused no harm to the colonels' careers; therefore, DoD IG made no remedial recommendations. DoD IG recommended that the secretary of the Army take appropriate corrective action against the general officers. Corrective action is pending.
- An Air Force major general threatened to identify and fire four civilian employees who reported potential wrongdoing by another civilian employee to a defense agency inspector general. The major general was upset that she was not notified before the potential wrongdoing was reported to the agency IG. Because the major general made no attempt to follow through with her threat, DoD IG made no remedial recommendations. DoD IG recommended that the secretary of the Air Force take appropriate corrective action against the major general. Corrective action is pending.
- A Navy rear admiral reprimed against an Air Force lieutenant colonel under his command by relieving him of his position, reassigning him to a position not commensurate with his rank, and forcing the lieutenant colonel to depart his joint tour early. The rear admiral suspected the lieutenant colonel of filing an anonymous complaint against him. DoD IG recommended the secretary of the Air Force review the lieutenant colonel's official personnel file to ensure no harm to his promotion potential occurred as a result of the personnel actions. DoD IG further recommended the secretary of the Navy take appropriate action against the rear admiral for repriming against the lieutenant colonel. Corrective action is pending.
- A Navy commander reprimed against a senior chief petty officer under his command by giving him an adverse fitness report and suspending his access to classified information. The Navy commander took the reprisal actions after the

senior chief petty officer made several complaints to inspector general and equal opportunity offices against the commander and the chain of command. The Naval inspector general is following up with the chain of command on appropriate corrective action.

- An Army National Guard brigadier general reprimed against a lieutenant by relieving the lieutenant from her duties as aide-de camp; and, acting as both the rater and senior rater, issued the lieutenant a relief-for-cause officer evaluation report. The investigation found that the brigadier general took the actions because of a complaint the lieutenant filed with the battalion commander. Corrective action is pending.
- An Air Force colonel issued a letter of counseling to a major in reprisal for stating she had an appointment with the commanding general about problems she was having with her supervisor and others in her chain of command. Corrective action is pending.

## Corrective Actions Taken during Second Half of FY2013 on Whistleblower Cases Closed in Previous Reporting Periods

- An Army colonel improperly referred a Navy junior grade officer for a mental health evaluation by not providing him with the proper documentation for the referral in violation of DoD Directive 6490.1, Mental Health Evaluations of Members of the Armed Forces, and DoD Instruction 6490.4, Requirements for Mental Health Evaluations for Members of the Armed Forces. DoD IG recommended the Army take appropriate corrective action against the colonel for the improper referral. The Army counseled the colonel on the procedural requirements for mental health referrals in effect at the time.
- An Air Force Reserve colonel received a general officer letter of counseling for restricting a subordinate officer from making a protected communication to the colonel's superior.
- An Army National Guard major received counseling for improperly referring a subordinate for a mental health evaluation without following established procedures.
- Air Force officials relieved a lieutenant colonel of command for removing a subordinate from flying duties in reprisal after the subordinate made allegations of impropriety in the unit.

- The secretary of the Navy took corrective actions against two of three naval officers who reprimed against a lieutenant commander: one captain retired at a lower pay grade; another met a show cause board for retention in the Navy and was retained. Corrective action regarding the third officer is pending. The lieutenant commander, who had resigned in lieu of meeting a show cause board, was reinstated into the Navy Reserve.
- A contractor who was reprimed against for whistleblowing received \$35,000 as part of a settlement.

## INVESTIGATIONS OF SENIOR OFFICIALS

To promote public confidence in the integrity of DoD leadership, Investigations of Senior Officials investigates and conducts oversight reviews of investigations conducted by the military service and defense agency IGs into alleged misconduct by senior DoD officials (brigadier general/rear admiral and above, members of the senior executive service and senior political appointees). The WRI Directorate investigates allegations of reprisal

involving senior officials and oversees component investigations of same.

Misconduct allegations are noncriminal in nature and typically involve ethics or regulatory violations. Specialized units within each military department office of inspector general conduct the majority of senior official investigations. ISO investigates allegations against the most senior DoD officials (three-star and above general/flag officers and equivalents), senior officials in the joint or defense intelligence community and allegations not suitable for assignment to service IGs. ISO conducts oversight reviews of all service/defense agency IG investigations of misconduct involving senior officials.

During the period, the Department received 541 complaints of senior official misconduct and closed 358. Of the 358 complaints closed, 231 were dismissed due to lack of a credible allegation of misconduct and 127 were closed following investigation. Of the 127 investigations closed, 10 were closed by DoD IG and 117 were closed by

Figure 2.3 Senior Official Complaints Closed During FY 2013

Senior Official Complaints  
Closed in FY2013 (2nd Half) and FY2013 TOTAL

Service/Agency	Total Closed	Dismissed	Investigated	Substantiated Cases	Substantiation Rate
<b>Closed by DoD IG</b>					
Army	89	85	4	0	0%
Navy	18	17	1	0	0%
Air Force	33	30	3	0	0%
Marine Corps	10	10	0	0	0%
COCOM / Defense Agency	91	89	2	1	50%
<b>Subtotal FY13 (2nd Half)</b>	<b>241</b>	<b>231</b>	<b>10</b>	<b>1</b>	<b>10%</b>
<b>Closed by Component IG with Oversight Review by DoD IG</b>					
Army	75		75	26	35%
Navy	7		7	3	43%
Air Force	22		22	10	45%
Marine Corps	2		2	0	0%
COCOM / DA	11		11	8	73%
<b>Subtotal FY13 (2nd Half)</b>	<b>117</b>		<b>117</b>	<b>47</b>	<b>40%</b>
<b>Total FY13 (2nd Half)</b>	<b>358</b>	<b>231</b>	<b>127</b>	<b>48</b>	<b>38%</b>
<b>Closed in FY13 (1st and 2nd Half)</b>					
<b>Grand Total FY13</b>	<b>614</b>	<b>337</b>	<b>277</b>	<b>95</b>	<b>34%</b>

# CORE MISSION AREAS

service IGs with oversight by DoD IG. Of the 127 investigations closed, 48 (38 percent) contained substantiated allegations of misconduct. DoD IG processed 6,523 senior official name checks for general/flag officers pending nomination, promotion, retirement and reassignment for a total of 11,880 name checks in FY 2013.

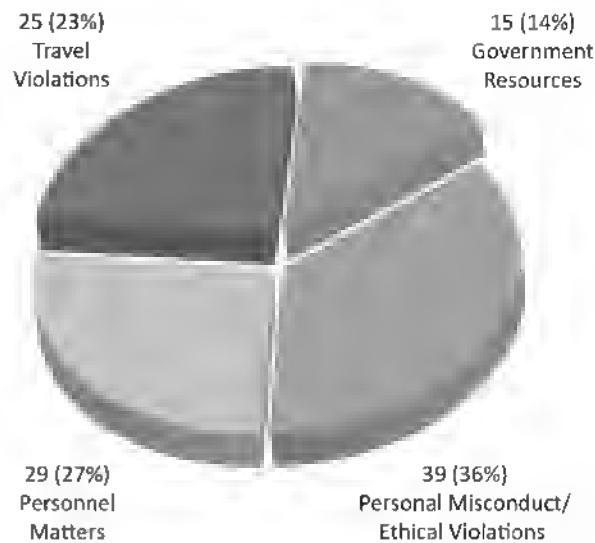
DoD IG conducted several investigations with significant congressional and media interest.

## Examples of Significant Senior Official Cases

The following is a list of significant senior official cases closed:

- A defense agency SES misused her position to endorse a product, service or enterprise. DoD IG found that the SES held a financial interest in a private company owned by a family member and used proprietary materials from the company in communications with senior DoD officials. The senior official left government service prior to completion of the investigation.
- A major general maltreated his front office personnel. The major general received a written reprimand.
- A brigadier general failed to conserve government resources, used government rental cars for unauthorized purposes and directed a subordinate to use a Government Travel Charge Card for other than authorized purposes. The brigadier general received a written reprimand.
- A rear admiral sent a racially offensive email to members of his command and spoke in a manner diminishing confidence in or respect due to three superior admirals. The rear admiral received a letter of counseling.
- A defense agency SES engaged in an inappropriate relationship with a subordinate employee and misused government communications systems to facilitate the relationship. Corrective action is pending.
- A brigadier general coerced raters to change evaluations in violation of service regulations. Corrective action is pending.

Figure 2.3 Types of Substantiated Misconduct



# POLICY AND OVERSIGHT

DoD IG provides policy, guidance and oversight to audit and investigations within DoD. DoD IG also provides analysis and comments on all proposed draft DoD policy issuances, as well as conducts technical assessments of DoD programs and provides engineering support for other assessments.

## AUDIT POLICY AND OVERSIGHT

DoD IG provides audit policy direction, guidance and oversight for its auditing component; the military departments' audit organizations, the Defense Contract Audit Agency, other defense audit organizations and public accounting firms under the Single Audit Act of 1984. As such, DoD IG provides guidance and oversight for more than 6,700 DoD auditors in 22 DoD audit organizations, which is nearly 40 percent of all auditors in federal inspector general audit organizations.

## Hotline Allegation Regarding the Failure to Take Action on Material Management and Accounting System (MMAS) Audit Findings

### OVERVIEW:

 DoD IG evaluated allegations from a DoD Hotline complaint alleging that the contracting officer at a Supervisor of Shipbuilding, Conversion and Repair facility failed to take action on audit findings reported by the Defense Contract Audit Agency involving a DoD contractor's Material Management and Accounting System. The complaint also alleged that DCAA management at a field audit office did not take appropriate action to protect the government's interests.

### FINDINGS:

DoD IG substantiated the allegation that the SUPSHIP contracting officer did not take action on significant MMAS deficiencies reported in multiple DCAA audit reports since 1996. As a result, the government likely paid millions of dollars in excess material inventory carrying costs and other charges, which are not recoverable. In 2008, DCAA estimated that the government incurred \$27.7 million annually in excess inventory carrying costs on one of the deficiencies involving the failure to appropriately time-phase material costs. DoD IG did not substantiate the second allegation that DCAA field office management failed to take appropriate actions to protect the government's interests.

### RESULT:

DoD IG recommended that the commander, Naval Sea Systems Command, take appropriate administrative action, including personal accountability, for the failure of SUPSHIP to take action on the reported MMAS deficiencies. In consultation with DCAA, DoD IG also recommended that SUPSHIP promptly evaluate the adequacy of the contractor's plan for correcting the deficiencies. Management agreed with all report recommendations.

**Report No. DDDIG-2013-082**

## Complaint Regarding Tinker Air Force Base Agreement to Pay an Unallowable Markup on a Foreign Military Sales Contract

### OVERVIEW:

 DoD IG reviewed a complaint alleging that a contracting officer from Tinker Air Force Base, Okla., agreed to pay a 22-percent unallowable markup on a foreign military sales contract. The 22-percent

markup issue involved a foreign military sales base contract that was negotiated in 2004 and option years that were negotiated in 2006 and 2007. Although the contract was negotiated several years ago, DoD IG elected to review the complaint and make appropriate recommendations because Tinker Air Force Base could be allowing similar unallowable costs on current DoD and foreign military sales contracts.

*"A Tinker Air Force Base contracting officer inappropriately agreed to pay a 22-percent markup factor on materials transferred between affiliated contractors."*

### FINDINGS:

A Tinker Air Force Base contracting officer inappropriately agreed to pay a 22-percent markup factor on materials transferred between affiliated contractors. As a result, a contractor received an estimated \$18.3 million in additional profit under the foreign military sales contract that was unallowable. According to Federal Acquisition Regulation, materials transferred between affiliated companies must be based on costs incurred, excluding profit. The contracting officer allowed the markup factor even though a Defense Contract Audit Agency auditor and a Defense Contract Management Agency attorney recommended that the contracting officer disallow it. The contracting officer failed to adequately explain in the price negotiation memorandum why he did not adopt the auditor and attorney recommendations.

### RESULT:

DoD IG recommended that the deputy assistant secretary for contracting, Office of the Assistant Secretary of the Air Force for Acquisition, improve the quality assurance procedures to help ensure that Tinker Air Force Base contracting officers (1) limit negotiated material costs transferred to the costs incurred, (2) document adequate rationale in the price negotiation memorandum when they do not adopt the specialist recommendations and (3) take all practicable steps to obtain recoupment of the \$18.3 million profit that the contracting officer had no authority to pay the DoD contractor. Management agreed with all report recommendations.

**Report No. DDDIG-2013-086**

## Acquisition Processes and Contract Management Report on Quality Control Review of the Grant Thornton, LLP, FY 2011 Single Audit of the Henry M. Jackson Foundation for the Advancement of Military Medicine

### OVERVIEW:

 As the cognizant federal agency for the Henry M. Jackson Foundation for the Advancement of Military Medicine, DoD IG began a review of the Grant Thornton LLP, single audit and supporting working papers for the audit period Oct. 1, 2010, to Sept. 30, 2011. The purpose of the review was to determine whether the single audit was conducted in accordance with auditing standards and the auditing and reporting requirements of the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. The Foundation is a not-for-profit organization authorized by Congress in May 1983 to support military medical research. During FY 2011, the Foundation expended \$398.4 million in federal awards, under one federal program, the research and development cluster. Of the \$398.4 million, \$335.9 million was expended for Department of Defense programs.

### FINDINGS:

DoD IG discontinued its quality control review due to the determination that some of the Grant Thornton work papers could not be relied on and, therefore, neither could the audit report opinion on compliance with requirements on the federal program. As such, Grant Thornton needs to perform additional audit procedures to support the audit conclusions and overall audit opinion. DoD IG will reschedule its review once the additional audit work is completed and the audit report is resubmitted to the Federal Audit Clearinghouse. Although DoD IG discontinued its review, they identified an issue with Grant Thornton's sampling policy that needs to be addressed to ensure the audit procedures performed for all single audits are sufficient to support the opinion on compliance with requirements on federal programs.

### RESULT:

DoD IG recommended that the National Managing Partner, Professional Standards Group, Grant Thornton, LLP, provide DoD IG with (1) the results of the Grant Thornton investigation into the matter of the falsified work papers, (2) a list of all Circular A-133

audits and any audits impacting DoD on which the Grant Thornton auditor who falsified work papers was assigned, (3) the role of the auditor and any specific actions taken on the audit(s) identified above and (4) any corrective actions taken, including changes to Grant Thornton's supervisory review process and overall quality control procedures. Concerning Grant Thornton's sampling policy, DoD IG recommended that the National Managing Partner, Professional Standards Group, Grant Thornton, LLP revise the Grant Thornton sampling policy to include steps on how to determine and document the significance of the internal controls being tested according to the auditing guidance in the American Institute of CPAs Audit Guide. DoD IG also recommended that the Audit Partner, Grant Thornton, LLP assess the significance of the internal controls being tested, according to the auditing guidance in the American Institute of CPAs Audit Guide, when determining the sample sizes for the FY 2011 Single Audit on the Henry M. Jackson Foundation for the Advancement of Military Medicine. Management agreed to all report recommendations.

*Report No. DODIG-2013-124*

## INVESTIGATIVE POLICY AND OVERSIGHT

DoD IG evaluates the performance of and develops policy for the DoD criminal investigative and law enforcement community, as well as the non-Defense Criminal Investigative Organization offices of DoD.

### Evaluation of the Military Criminal Investigative Organizations Sexual Assault Investigations

#### OVERVIEW:

 DoD IG evaluated the sexual assault investigations completed in 2010 by Military Criminal Investigative Organizations to determine whether they conducted investigations as required by DoD, military service and MCIO guidance. The evaluation focused on the following question: Did the MCIOs investigate sexual assaults as required by guiding policies and procedures?

#### FINDINGS:

DoD IG found that most MCIO investigations met or exceeded the investigative standards. However 11 percent of cases had significant deficiencies and

were returned to the MCIOs for corrective action. The U.S. Army Criminal Investigation Defense Command and Air Force Office of Special Investigations policy guidance did not direct the collection of clothing articles that a victim or suspect might have placed on themselves shortly after the assault, if different from the clothing worn during the assault. Naval Criminal Investigative Service policy did not require NCIS investigators to notify or coordinate with their servicing judge advocate(s) upon initiating an investigation. Army CID guidance regarding records checks did not provide a definitive timeliness requirement. NCIS needs policy to require Sexual Assault Response Coordinator notifications and documentation.

#### RESULT:

DoD IG made pertinent recommendations including (1) the MCIOs implement measures to improve crime scene processing, evidence collection, supervision and documentation to reduce investigative deficiencies and (2) the commanders of Army CID and AFOSI evaluate their existing policies regarding the collection of clothing worn by suspects and victims subsequent to a sexual assault.

*Report No. DODIG-2013-091*

## CRIMINAL INVESTIGATIVE POLICY

During the reporting period, DoD IG issued three policies affecting the criminal investigative arena as follows:

1. **DoD Instruction (DoDI) 5505.02, Criminal Investigations of Fraud Offenses, August 29, 2013.** The Instruction reissuance establishes the authority to initiate, conduct and supervise fraud investigations within the DoD (including the military departments) and other investigations as DoD IG deems appropriate. Also it establishes policy, assigns responsibilities and prescribes procedures for determining which of the Defense Criminal Investigative Organizations will conduct investigations of fraud offenses.
2. **DoDI 5505.08, Military Criminal Investigative Organizations (MCIO) and other DoD Law Enforcement Organizations Investigations of Adult, Private, Consensual Sexual Misconduct, April 17, 2013.** The Instruction reissuance establishes policy, assigns responsibilities

and provides procedures for the initiation of criminal investigations into adult, private, consensual sexual misconduct. The Instruction also incorporates the repeal of policy in Public Law 111-321, Don't Ask, Don't Tell Repeal Act of 2010.

3. **DoDI 5505.10, Criminal Investigations of Noncombat Deaths, August 15, 2013.** The Instruction reissuance establishes policy, assigns responsibilities and prescribes procedures for the criminal investigation of noncombat deaths by military criminal investigative organizations.

## TECHNICAL ASSESSMENTS

DoD IG performs expert technical assessments that affect improvements in defense system acquisition, operation and sustainment by proactively addressing issues of concern to Congress, DoD and the public.

### Quality Assurance Assessment of the F-35 Lightning II Program

#### OVERVIEW:

 DoD IG performed an evaluation of the F-35 Lightning II program by conducting a series of quality assurance assessments of the Joint Program Office, prime contractor and major subcontractors. DoD IG assessed conformity to the contractually required Aerospace Standard (AS)9100, "Quality Management Systems - Requirements for Aviation, Space and Defense Organizations," contractual quality assurance clauses, and internal quality assurance processes and procedures for the following six contractors: Lockheed Martin Aeronautics Company (Prime Contractor and Aircraft Integrator); Northrop Grumman Aerospace Systems (Center Fuselage Integrator); BAE Systems (Aft Fuselage Integrator); L-3 Display Systems (Panoramic Cockpit Display System); Honeywell Aerospace (On-Board Oxygen Generation System); and United Technologies Corporation, Aerospace Systems (Landing Gear System).

#### FINDINGS:

The F-35 program did not sufficiently implement or ensure that technical and quality management system requirements were placed on subcontractor contracts throughout the supply chain to prevent the fielding of nonconforming hardware and software. As such, this could adversely affect aircraft performance, reliability, maintainability and ultimately program cost. Lockheed Martin and its subcontractors did

# CORE MISSION AREAS



DoD IG evaluated the F-35 Lightning II program.

not follow disciplined AS9100 Quality Management System practices, as evidenced by 363 findings, which contained 719 issues. Further, the Joint Program Office did not (1) ensure that Lockheed Martin and its subcontractors were applying rigor to design, manufacturing and quality assurance processes; (2) ensure that critical safety item requirements were placed on subcontractor contracts; (3) ensure that Lockheed Martin provided quality assurance and technical requirements to subcontractors; (4) establish an effective quality assurance organization; and (5) ensure that the Defense Contract Management Agency perform adequate quality assurance oversight. In addition, the Defense Contract Management Agency did not sufficiently perform government quality assurance oversight of F-35 contractors.

## RESULT:

DoD IG recommended that the Joint Program Office:

- Ensure compliance with AS9100 throughout the F-35 supply chain.
- Ensure that Lockheed Martin approves all design and material review board changes and variances with government concurrence.
- Perform process proofing of all critical processes to include first-article inspections.
- Modify its contracts to include a quality escape clause to ensure the government does not pay for nonconforming products.
- Assess the impacts and risks to all delivered aircraft for all findings.

- Implement an aviation critical safety item program that meets the requirements of public law and DoD policy, which would include ensuring that requirements for a critical safety item program to Lockheed Martin and its subcontractors.
- Assess the impacts and risks to all delivered aircraft for critical safety item deficiencies.
- Perform a verification of the technical and quality assurance requirements applied throughout the F-35 supply chain.
- Establish an independent quality assurance organization, which has the authority and resources to enforce the AS9100 standard and F-35 product quality.
- Revise the Defense Contract Management Agency memorandum of agreement to include explicit quality assurance oversight requirements.
- Ensure that Defense Contract Management Agency is performing quality assurance oversight commensurate with product criticality.

The Defense Contract Management Agency should:

- Provide a comprehensive quality assurance oversight plan for Joint Program Office approval to be included in the memorandum of agreement.
- Audit the execution of the quality assurance oversight plan throughout the F-35 supply chain.

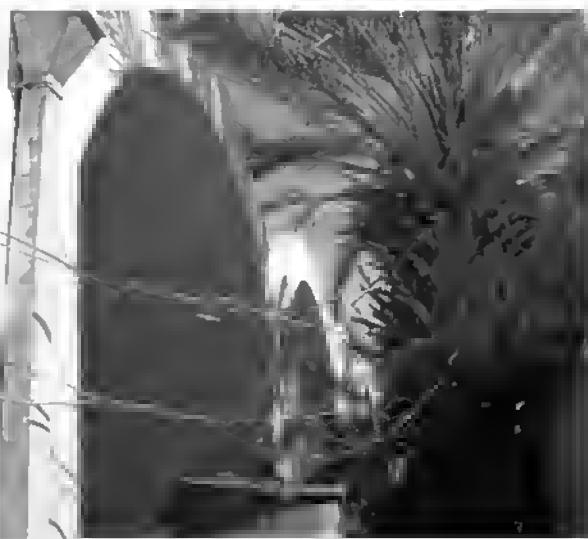
The Joint Program Office agreed with eight recommendations, partially agreed with two and disagreed with one. The Defense Contract Management Agency agreed with one recommendation and partially agreed with the second.

*Report No. DDDIG-2013-140*

## Compliance with Electrical and Fire Protection Standards of U.S. Controlled and Occupied Facilities in Afghanistan

### OVERVIEW:

At selected U.S. controlled and occupied facilities in Kandahar Air Field and Bagram Air Field, Afghanistan, DoD IG inspected for compliance with the National Electrical Code ,the United Facilities Criteria, National Fire Protection Association standards and corrective actions for previous DoD IG electrical and fire protection findings.



DoD IG found hazardous conditions due to a lack of consistent adherence at selected U.S. controlled and occupied facilities in Afghanistan.

## FINDINGS:

Hazardous conditions due to a lack of consistent adherence to minimum NEC and NFPA standards were evidenced by 1,089 findings; 440 findings violated NEC electrical standards and 649 findings violated UFC and/or NFPA fire protection standards. Further, DoD IG found:

- Fire protection systems were not maintained and/or repaired.
- Garrison commands lacked qualified government or dedicated contractor electricians, fire alarm, or fire suppression technicians on their staffs to perform inspection, testing and maintenance.
- Inadequate government oversight and inspection of facilities.
- Lack of independent technical support for the Government Contracting Office resulted in overreliance on facility construction and maintenance contractors.
- The base camp master plans lacked a comprehensive fire protection plan.
- Corrective actions for previous DoD IG audits and inspections were incomplete and ineffective for many findings.

## RESULT:

DoD IG recommended that all 1,089 findings, which include 71 critical findings, be addressed and prioritized according to a robust risk management plan and that:

- U.S. Forces-Afghanistan review the government oversight and inspection requirements for electrical and fire protection systems and ensure that sufficient qualified resources are available and deployed to meet requirements throughout the USFOR-A area of responsibility.
- Provisions be made for regular inspection and maintenance of electrical and fire protection systems.
- Base camp master plans include a comprehensive fire protection plan.
- Commander, U.S. Central Command Joint Theater Support Contracting Command, review applicable contracts to determine if contractual remedies, including financial recovery, are appropriate in those cases where contract requirements for electrical or fire protection construction, maintenance or repair services were not satisfied.

USCENTCOM and its subordinate commands reviewed the findings and recommendations concurring with nine and partially concur with two of the eleven recommendations.

*Report No. DODIG-2013-099*

## Advanced Combat Helmet Technical Assessment

### OVERVIEW:

 DoD IG assessed the methods and technical rationale in developing the Advanced Combat Helmet testing protocols issued by the Office of the Director, Operational Test and Evaluation to determine whether the test protocols were appropriate for the ACH. Specifically, the assessment focused on the first article testing, resistance to penetration requirement of at least 90 percent probability of no penetration with 90 percent confidence level, commonly termed the "90/90 standard," and the lot acceptance testing and RTP requirement of 4 percent Acceptable Quality Level. Lastly, DoD IG assessed the participation of various stakeholders and industry experts such as active ACH manufacturers and test facilities.

### FINDINGS:

DoD IG, after reviewing the methods and technical rationale in developing the helmet RTP requirements, found that the DOT&E test protocol for the ACH adopts a statistically principled approach and represents an improvement from the legacy test protocol with regard to increased sample size.



DoD IG assessed the Advanced Combat Helmet testing protocols to determine whether they were appropriate for the ACH.

However, future protocol revisions necessitate further refinement by anchoring the RTP requirements to helmet specific empirical data such as manufacturing capabilities and test performance. The DOT&E LAT protocol is an improvement from the legacy LAT and adopts a widely established and industrially accepted American National Standards Institute. In selecting the LAT RTP requirement of 4 percent AQL, DOT&E considered the government risk of accepting underperforming helmets, manufacturer risk of failing LAT with acceptable helmets and historical LAT data. However, DOT&E did not consider selecting an AQL that was based on the safety criticality of the helmet. Also in accordance with authorizing statutes, DOT&E has the authority to establish test standards for personnel protective equipment such as the ACH. However, despite the significance and broad effect of these protocols, DOT&E did not explicitly consult with heads of the military departments to provide them an opportunity to comment on new or changed test protocols and did not adequately document the adjudication of inputs provided by program offices and subject matter experts in the staffing process. The program office also did not solicit comments on the helmet test protocols with the helmet vendors and Defense Contract Management Agency. Lastly the FAT RTP acceptance was based on an aggregate of all test outcomes under varying conditions to achieve 90/90, or 17 penetrations out of 240 shots. This could result in passing FAT, despite test results showing clusters of

failures for a unique helmet size or in a particular test environment.

## RESULT:

During the course of the assessment, DOT&E and the Army's Program Executive Office Soldier were very responsive and had already committed to address most of the findings identified. The report contained various recommendations including that (1) DOT&E and PEO Soldier fully characterize the performance of all helmet designs included in the combat helmet test protocols; (2) performance characterization should consider threat, historical test data, prototype test data and manufacturing capabilities; and (3) based on helmet performance characterizations, DOT&E and PEO Soldier should determine if modification to the FAT and LAT protocols are appropriate. Also due to the significance and broad impact of the test protocols, DOT&E should ensure the affected organizations, including heads of the military departments, are consulted in developing the protocols and have an opportunity to provide input on new or changed test protocols. DOT&E should also ensure that inputs received are documented and adjudicated. Management agreed to all report recommendations.

*Report No. DODIG-2013-079*

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# ENABLING MISSION AREAS



## CONGRESSIONAL TESTIMONY AND BRIEFINGS

Section 4(a) of the Inspector General Act requires the Inspector General “to review existing and proposed legislation and regulations relating to the programs and operations of [the Department of Defense]” and to make recommendations “concerning the impact of such legislation or regulations on the economy and efficiency in the administration of programs and operations administered or financed by [the Department] or the prevention and detection of fraud and abuse in such programs and operations.” DoD IG is given the opportunity to provide information to Congress by participating in congressional hearings and briefings.

Representatives of DoD IG testified at two hearings during the period. Deputy Inspector General for Audit Daniel Blair testified before the House Committee on Oversight and Government Reform April 17, 2013. The subject of the hearing was, “Contracting to Feed U.S. Troops in Afghanistan: How did the Defense Department End Up in a Multi- Billion Dollar Billing Dispute?” The hearing focused on concerns uncovered during an initial audit of a contract with the prime vendor for food and nonfood products for the Nation’s warfighters in Afghanistan; actions taken to address the report recommendations; and opportunities to improve contract administration through lessons learned that could be applied to future contracts.

On April 10, 2013, Ambassador Kenneth Moorefield, the deputy inspector general for Special Plans and Operations, testified before the House Committee on Oversight and Government Reform. The subject of the hearing was “U.S. Foreign Assistance: What Oversight Mechanisms are in Place to Ensure Accountability?”

The testimony focused on DoD direct assistance to Afghanistan and DoD IG oversight efforts in that area.

## MEETINGS WITH CONGRESSIONAL MEMBERS AND STAFF

During the reporting period, representatives of the Office of the Inspector General had 60 meetings with members of Congress and/or their staffs. Topics of discussion during those meetings included issues such as a series of audit reports concerning spare parts pricing and inventory issues, an audit of the TRICARE Mail Order Pharmacy program, an assessment of the testing protocols for the Advanced Combat Helmet and an audit of the Navy Commercial Access Control System. Additional topics included briefings on the Intelligence Community Inspectors General Accountability Review, whistleblower protections for military technicians and senior official accountability.

## CONGRESSIONAL REQUESTS

The Office of Communications and Congressional Liaison supports DoD IG by serving as the contact for communications to and from Congress, and by serving as the DoD IG public affairs office. From April 1 through Sept. 30, 2013, the Office of Communications and Congressional Liaison received 152 new congressional inquiries and closed 162, including a report required by the Reducing Over-Classification Act, an accountability review of the intelligence community, reviews of reprisal and senior official allegations and a review of the release of DoD information to the media.

New inquiries and pending legislation involved issues such a review of allegations involving Joint Prisoner of War/Missing in Action Accounting Command, an audit of permanent change of station funding and an assessment of the planned testing of the Ground Based Interceptors program. The Office of Communications and Congressional Liaison continues to proactively reach out to congressional staffers to ensure they are informed about upcoming IG releases and ongoing reviews.

# DOD HOTLINE

The mission of the DoD Hotline is to provide a confidential, reliable means for military service members, DoD civilians, contractors and the public to report violations of federal law or regulation. The DoD Hotline is also an avenue for these stakeholders to report mismanagement, gross waste of funds, abuse of authority and classified information leaks, as well as the detection and prevention of substantial and specific threats to public health and safety.

The DoD Hotline aims to become the recognized leader for federal government hotline programs. Significant accomplishments during the reporting period include:

- Developed and implemented a DoD Hotline improvement plan.
- Streamlined complaint intake and review processes for more effective and efficient triage.
- Established and met priority 1 and 2 complaint metrics.
- Systematically decreased the complaint processing backlog by one-third.
- Increased the number of personnel to more efficiently manage the volume of incoming complaints.
- Formed a DoD-wide hotline working group to establish a common vision and open dialogue about issues affecting the hotline community as a whole.
- Hosted a world-wide outreach for all federal and Defense hotline programs.
- Strengthened internal and external partnerships within the hotline community

DoD IG is committed to maintaining the Department's whistleblower protection program as a model for the federal government. The DoD Hotline directly supports this commitment by continuously analyzing and improving its processes for handling whistleblower complaints.

## HOTLINE CONTACTS AND CASE INITIATION

During this reporting period, the DoD Hotline received more than 15,000 contacts, the second largest number ever received in a six-month period. Of those

15,000 contacts, the DoD Hotline opened 1,341 cases, which involved the following types or categories of misconduct:

- Procurement fraud
- Ethics violations
- Abuse of authority
- Public corruption
- Prohibited personnel practices
- Conflict of interest
- Security violations
- Reprisal
- Trafficking in persons
- Safety violations

### Open Cases

The DoD Hotline initiated 1,341 cases to the following activities:

Military Services	
Air Force	75
Army	306
Navy	80
Marine Corps	29
Joint Staff	45
DoD IG	
Investigation of Senior Officials	243
Whistleblower Reprisal	306
Hotline	9
Audits	10
Investigations	79
Intelligence & Special Program Assessments	17
Office of Professional Responsibility	6
Special Plans & Operations	1
Audit Policy and Oversight	14
Investigative P&O	11
Defense Agencies/DoD Field Activities	
DARPA	1
DCAA	11
DCMA	9
DECA	6
DFAS	8
DIA	6
DISA	3
DLA	7
Department of Defense Education Activity	7
Defense Security Service	1
Defense Threat Reduction Agency	1

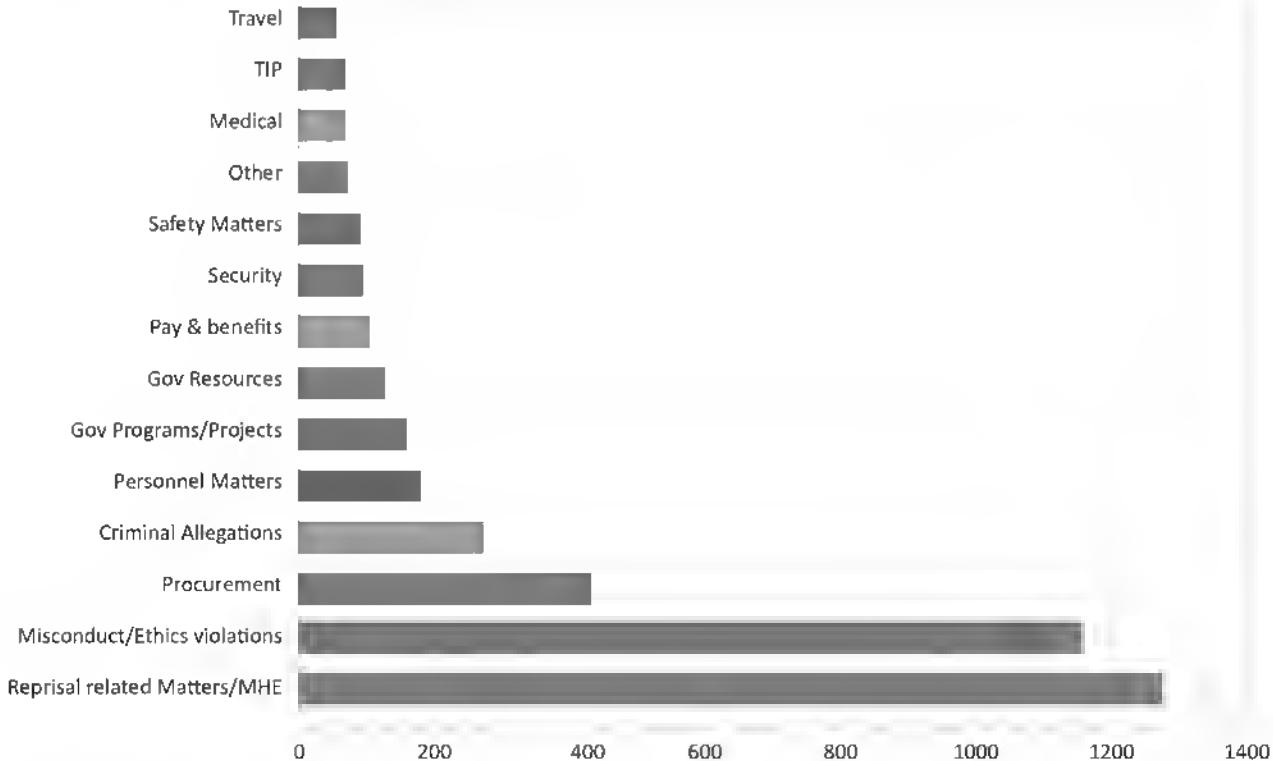
# ENABLING MISSION AREAS

Defense Agencies/DoD Field Activities (cont'd)	
Missile Defense Agency	5
National Security Agency	9
Pentagon Force Protection Agency	3
TRICARE Mgmt. Activity	3
Washington Headquarters Services	3
Office of the Secretary of Defense	
AAFES	2
Acquisition, Technology and Logistics	1
Health Affairs	1
Military Entrance Processing Command	6
Non-DoD	5
Office of General Counsel	4
Personnel and Readiness	5
Policy	3

## WHISTLEBLOWER PROTECTION OMBUDSMAN

In accordance with the Whistleblower Protection Enhancement Act of 2012, the DoD inspector general designated a DoD whistleblower protection ombudsman, currently the DoD Hotline director. The

Figure 3.1 Category of Allegations



\*Cases may contain multiple allegations.

WPO's role is to educate agency employees about the prohibitions, rights and remedies related to retaliation for protected disclosures.

The WPO accomplished the following:

- Established a whistleblower protection ombudsman page on the DoD IG website.
- Established direct email contact to the WPO.
- Published training slides for appropriated fund personnel.
- Established hyperlinks to the U.S. Office of Special Counsel.
- Coordinated training slides for nonappropriated fund, intelligence community, contractor and military personnel websites.
- Executed outreach to various groups comprised of DoD civilian, contractor, and military personnel.

The WPO aims to enhance the current No Fear Act training by providing additional and specific reprisal training based on whistleblower category (military, nonappropriated fund, appropriated fund and subcontractor). Steps are underway to have this additional training deemed mandatory for all DoD personnel.

# PROGRAMS

## SUBPOENA PROGRAM

The DoD IG authority to issue subpoenas is based on the Inspector General Act of 1978, as amended. The Act authorizes the IGs to issue subpoenas in matters that involve fraud and abuse in Department programs and operations. Historically, most DoD IG subpoenas were issued on fraud-related matters. During 2005, DoD IG recognized the need to expand the DoD IG Subpoena Program into nonfraud related crimes such as violent crime, cybercrime, child pornography and theft of government property. During 2008, after a trial period, DoD IG made the issuance of subpoenas for certain specifically enumerated general crimes permanent. A DoD IG subpoena request must meet three criteria (1) the subpoena can only be issued for investigations within the statutory authority of the IG, (2) the information sought must be reasonably relevant to the IG investigation, audit, investigation or evaluation and (3) the subpoena cannot be unreasonably broad or burdensome. Using DoD IG

subpoenas is a useful procedure for legally obtaining business, personnel, financial and state and local government records. Records obtained by DoD IG subpoenas may also be used to locate witnesses, confirm statements made by witnesses or subjects and provide other relevant information. DoD IG issued more than 500 subpoenas each year during the past three years in support of DoD criminal investigations, audits and evaluations. During this reporting period, 342 subpoenas were issued.

## CONTRACTOR DISCLOSURE PROGRAM

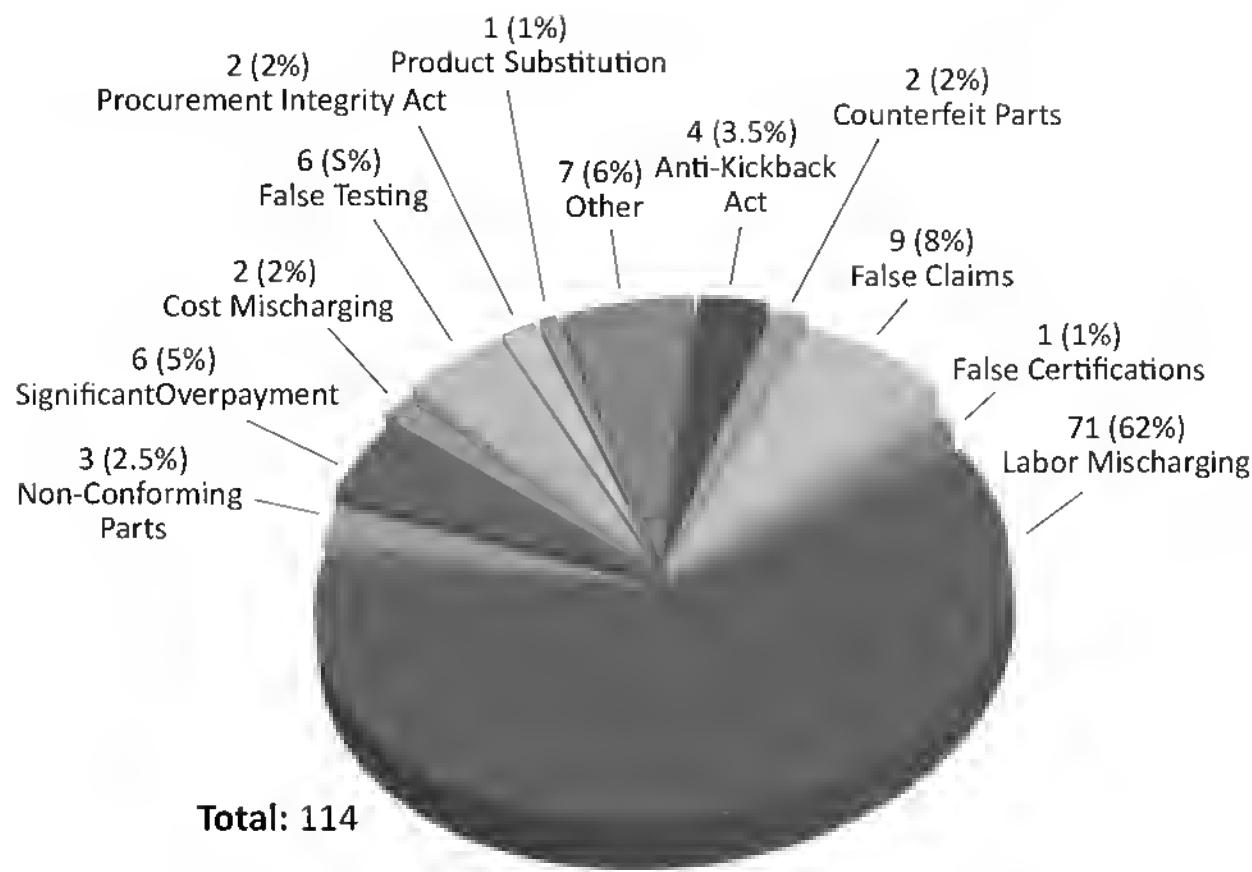
All contractor disclosures made pursuant to the Federal Acquisition Regulation shall be reported to DoD IG in accordance with the Defense Acquisition Regulation. A contractor disclosure is a written disclosure by a DoD contractor or subcontractor to DoD IG that addresses credible evidence that the contractor or subcontractor has committed a violation of Title 18, or Title 31, U. S. Code, in connection with the award, performance or closeout of a contract or any subcontract. During this reporting period, 114 contractor disclosures were received.

Figure 3.2 Subpoenas Issued by Type of Investigation - FY 2013



# ENABLING MISSION AREAS

Figure 3.3 Contractor Disclosure Received



## ASSET FORFEITURE PROGRAM

The Defense Criminal Investigative Service asset forfeiture program continues to effectively provide forfeiture support to DCIS investigations involving fraud, waste and abuse by including forfeiture counts in all indictments, criminal informations and consent agreements when warranted by the evidence. The program has successfully met its goal to deter criminal activity by depriving criminals of property used or acquired through illegal activity both in the United States and in Southwest Asia. In the past five years of the program, DCIS participated in the seizure of assets totaling \$560.2 million, final orders of forfeiture totaling \$525.2 million and money judgments in the amount of \$161.8 million. During the six-month reporting period, DCIS participated in investigations that led to seizures of assets totaling \$19.1 million, final orders of forfeiture totaling \$9 million and money judgments in the amount of \$40.3 million. Assets seized or forfeited included cash currency, financial instruments, lotto tickets, vehicles and firearms.

### Investigative Examples:

On June 20, 2013, a final order of forfeiture was filed containing a forfeiture money judgment in the amount of \$6.1 million. Additionally, four checks totaling \$3.1 million were forfeited to satisfy the monetary judgment. This investigation was initiated based on a referral from the Government Accountability Office regarding a company that committed fraud to obtain Small Business Administration 8(a) Business Development program contracts with various agencies including the Department of Defense. The 8(a) program provides federal contracting opportunities to develop small businesses owned by socially and economically disadvantaged individuals.

On April 4, 2013, a final order of forfeiture was filed for \$2.5 million in funds seized from three bank accounts associated with the owners of a company under investigation for contract fraud. The fraud involved false statements and applications being

submitted to the Small Business Administration for the purpose of obtaining "historically underutilized business zone"-related contracts from a U.S. military base.

In May 2013, \$3.9 million was seized for forfeiture from 14 bank accounts related to a contract fraud investigation. The owners of a company certified their company as a Service-Disabled Veteran-Owned Small Business to obtain set-aside contracts under the Service-Disabled Veteran-Owned Small Business program, a portion of which were procured under the American Recovery and Reinvestment Act of 2009.

## DCIS CYBER CRIME FIELD OFFICE ESTABLISHED

As the result of a previously conducted internal assessment of its staffing, organization and priorities, the Defense Criminal Investigative Service Cyber Crime program has transitioned into an independent, operational Cyber Crime Field Office. This reorganization will better focus DCIS efforts on the core missions of digital forensics and intrusion investigations. The new field office is led by a special agent in charge and staffed with 27 full-time agents and support personnel nationwide.

The priorities for the new DCIS Cyber Crime Field Office include:

- Intrusions into DoD networks where there has been a compromise of DoD data or personally identifiable information.
- Intrusions into cleared defense contractors resulting in loss/compromise of technical or other information affecting DoD warfighting or peacekeeping capabilities.
- Specific cyber threats affecting DoD, to include, but not limited to, terrorism, organized crime, criminal actors such as Anonymous, LulzSec and Web-based robot networks impacting DoD.
- Contract fraud exposing DoD networks to heightened risk of compromise.

## Federal Law Enforcement Training Accreditation Board Grants Initial Accreditation to DCIS's Special Agent Basic Training Program

The Defense Criminal Investigative Service's Special Agent Basic Training program was formally

accredited by the Federal Law Enforcement Training Accreditation Board in a ceremony in Brunswick, Ga. The DCIS Special Agent Basic Training is a four-week program developed to provide new DCIS special agents with standardized and enhanced skills, tools and knowledge necessary to operate successfully in the DoD environment. The program provides new agents with a thorough background of the DCIS organization, history, jurisdiction and authority. The training covers common fraud schemes and legal issues typically faced by DCIS agents.

This initial accreditation was the direct result of several years of hard work by the DCIS Training Division, Federal Law Enforcement Training Center. In late 2009, the DCIS Special Agent Basic Training program was specifically revamped by a Curriculum Review Board made up of DCIS supervisors and leaders representing each DCIS field office and several headquarters' components. Operating under the direction of the DCIS Training Division, they met several times over two years to develop, review and approve the new DCIS curriculum and to identify a quality instructor cadre.

The Federal Law Enforcement Training Accreditation Board is the accrediting body for all federal law enforcement training and support programs. To achieve accreditation, DCIS submitted to an independent review of their program to ensure compliance with Federal Law Enforcement Training Accreditation standards and procedures in the areas of program administration, training staff, training development and training delivery. Initial accreditation is followed by a new and independent review every three years to justify reaccreditation.

## OUTREACH

### INTERAGENCY INITIATIVES

#### Southwest Asia Joint Planning Group

The Southwest Asia Joint Planning Group is the coordinating body for U.S. government organizations conducting oversight of U.S. military and civilian activities in Southwest Asia. The group meets quarterly to coordinate and de-conflict oversight

# ENABLING MISSION AREAS

activities. The group last met in August 2013, with participants located in the continental United States and Kabul, Afghanistan. During this fiscal year, the Southwest Asia Joint Planning Group chairman presented several distinguished senior military guest speakers at the quarterly meetings to provide situational awareness of ongoing and planned activities in Afghanistan:

## January 2013

- Brig. Gen. Steven Shapiro, deputy commanding general, 1st Theater Sustainment Command, Afghanistan
- Brig. Gen. Jonathan Maddux, deputy commanding general, Support, Combined Security Transition Command – Afghanistan

## April 2013

- Maj. Gen. Jim Ferron Jr., OMM, CD, commander, Canadian Mission, and deputy commanding general, NATO Training Mission – Afghanistan
- Col. Rick O'Donnell, U.S. Army, chief of staff, Combined Security Transition Command – Afghanistan

## August 2013

- Lt. Gen. Ken Tovo, commanding general, NATO Training Mission – Afghanistan, and Combined Security Transition Command – Afghanistan

## FY 2014 Comprehensive Oversight Plan for Southwest Asia

Other notable Afghanistan related activities by the Southwest Asia Joint Planning Group during this reporting period included the issuance of the FY 2014 Comprehensive Oversight Plan for Southwest Asia and the updated Joint Strategic Oversight Plan for Afghanistan. These plans reflect interagency collaboration within the oversight community to provide comprehensive audits, inspections and evaluations of contingency expenditures, to determine whether critical oversight gaps exist and to recommend actions to address those gaps. The FY 2014 COPSWA is effective as of Sept. 1, 2013, and may be revised and updated as necessary.

The FY 2014 COPSWA includes descriptions of 315 planned and ongoing oversight projects by the inspectors general of the Department of Defense, Department of State and the U.S. Agency for International Development; the Special Inspector

General for Afghanistan Reconstruction; the Army Audit Agency; the Naval Audit Service; and the Air Force Audit Agency. The FY 2014 update also includes ongoing oversight efforts by the U.S. Government Accountability Office related to Southwest Asia. The oversight community uses a risk-based planning process that includes conducting outreach with congressional representatives, department and agency leadership, U.S. Central Command and senior military and civilian leadership in Afghanistan. Agency leaders in each of the oversight components meet with various senior officials responsible for the significant operations and programs in their respective departments and agencies to include financial, acquisition/contracting, logistics, transportation and military operations.

As emphasis continues on the U.S. military, diplomatic and development missions in Afghanistan, the COPSWA also includes an updated FY 2014 Joint Strategic Oversight Plan for Afghanistan that reflects the oversight of activities related to the transition from a military-led to a civilian-led U.S. mission in Afghanistan. Oversight efforts in Afghanistan will continue, consistent with the security posture of U.S. forces and the USCENTCOM ability to provide support.

In the interest of clarity and to better focus on the emerging issues relating to the transfer of security and other responsibilities to the Government of the Islamic Republic of Afghanistan (GIRoA), the strategic issue areas addressed in the Joint Strategic Oversight Plan for Afghanistan was consolidated from 22 in FY 2013 to 11 in FY 2014. These issues are presented in two sections: Reconstruction (7 issues) and Other Than Reconstruction (4 issues).

The COPSWA also includes descriptions of oversight projects in the rest of the USCENTCOM's area of responsibility, which is comprised of a total of 20 countries, including Iraq, Kuwait, Kyrgyzstan and Pakistan. The COPSWA contains a section that lists 198 products and alerts that were issued during FY 2013. In March 2013, the Special Inspector General for Iraq Reconstruction culminated its nine-year mission in the issuance of its study, Learning From Iraq: A Final Report From the Special Inspector General for Iraq Reconstruction.

Despite situational challenges, the oversight community will continue to follow the money, assess progress, and identify what is working, what is failing and what can be improved. The work of the oversight community, reflected in the FY 2014 COPSWA, will help identify and deter fraud, waste and abuse, and promote integrity, accountability, efficiency and excellence.

## Council of the Inspectors General on Integrity and Efficiency

The Department of Defense Office of Inspector General received six awards Nov. 15, 2013, at the 16th Annual Awards Ceremony, hosted by the Council of the Inspectors General on Integrity and Efficiency. Beth Cobert, CIGIE executive chair and deputy director for management, Office of Management and Budget, presented the most prestigious awards to include one to DoD IG: Glenn/Roth Award for Exemplary Service, Combating Trafficking in Persons Team.

Phyllis K. Fong, CIGIE chairperson, and Lynne A. McFarland, CIGIE vice chairperson, presented the Awards for Excellence. DoD IG received awards for one Defense Criminal Investigative Service special agent and the following teams: G222 Audit Team; Service Disabled Veteran-Owned Small Business Audit Team; Afghan Local Police Team; and AES Investigation Team.

Jon T. Rymer, DoD IG inspector general, was part of the team that received the Barry R. Snyder Joint Award for their work with the Council of Inspectors General on Financial Oversight Working Group during his prior service as the inspector general for the Federal Deposit Insurance Corporation.

Also, two special agents with DCIS were members of teams from other offices of inspectors general that were presented the following Awards for Excellence: Investigation, National Aeronautics and Space Administration Multi-Agency Complex Fraud Investigative Team; and Investigation, Office of Personnel Management Amgen Investigative Team.

## Intelligence Community Inspectors General Forum

DoD IG participates in the Intelligence Community IG Forum, which promotes and furthers collaboration,

cooperation and coordination among the inspectors general of the intelligence community. The forum meets quarterly to discuss issues of common concern and to plan how to address them collaboratively.

## Joint Intelligence Oversight Coordination Group

The deputy inspector general for intelligence and special program assessments chairs the Joint Intelligence Oversight Coordination Group, which meets quarterly. The group promotes and furthers collaboration, cooperation, coordination and information sharing among the inspectors general and auditors general of the Department of Defense. The group's objectives are to support the DoD inspectors general and auditors general in the performance of audits, inspections and evaluations within their respective departments and agencies as well as strengthen their collective role and effectiveness to enhance their support of the National Intelligence Strategy. Finally, the group seeks to optimize the use of resources, increase efficiency and avoid duplication of effort among DoD inspectors and auditors general. The group can also explore opportunities for joint and interagency training and education, as well as examine defense programs and operations and identify those requiring coverage from more than one member of the group.

## ADMINISTRATIVE INVESTIGATIONS OUTREACH INITIATIVES

During the reporting period, Administrative Investigations conducted 40 hours of instruction and training on policy updates and best practices in whistleblower protection and senior official accountability matters reaching 874 attendees in various venues: periodic training symposia; service/defense agency IG roundtables; instruction at the Joint, Army and Air Force IG courses; and hotline outreach conferences. AI also participated in several roundtables to update media outlets on the senior official investigative process and various whistleblower reprisal statutes, with emphasis on recent enhancements to contractor whistleblower protections. The deputy IG for administrative investigations gave opening remarks during an Audit-sponsored conference.

## HOTLINE OUTREACH INITIATIVES

### Hotline World-wide Outreach event

The DoD Hotline hosted representatives from across the federal government and throughout the Defense Department at the Hotline Worldwide Outreach May 23, 2013. This was the first federal hotline event of its kind and was accessible to individuals regardless of their location. Attendees gathered as a hotline community, shared relevant information, and discussed collective best practices and challenges, using the Council of Inspectors General on Integrity and Efficiency's Recommended Practices for Office of Inspector General Hotlines as its framework. More than 200 people from 17 federal agencies and 23 DoD organizations attended the event via Defense Connect Online or at the Mark Center Conference Center, Alexandria, Va.

### H O T L I N E



DoD Hotline Outreach Poster

### Department-wide Hotline Working Group established.

The first DoD-wide Hotline Working Group was formed shortly following the Hotline Worldwide Outreach. The Working Group was established to create a forum for cooperation and participation among hotlines offices within the department, establish a common vision for the DoD Hotline community, and develop and implement a strategic plan to achieve the vision. The DoD-wide hotline Working Group is currently focusing on updating DoD Instruction 7050.01 – Defense Hotline Program. All members of the DoD-wide Hotline community participate in the monthly Working Group meetings via Defense Connect Online, video teleconferencing or at the Mark Center Conference Center, Alexandria, Va.

4

# SERVICES



## ARMY

### ARMY AUDIT AGENCY

To accomplish its mission, U.S. Army Audit Agency relies on a workforce of highly trained professional auditors, many with advanced degrees and professional certifications. USAAA's staff consists of approximately 580 employees and is organized into 20 functional audit teams that provide audit support to all aspects of Army operations.

USAAA also maintains a significant presence in the U.S. Central Command area of responsibility assisting Army commanders. At the end of September 2013, it had 13 deployed auditors in Kuwait and Afghanistan. Overall, USAAA has deployed more than 215 auditors since 2002 and issued more than 205 reports on Operation Enduring Freedom/Operation Iraqi Freedom.

USAAA's goal is to be a highly sought after and integral part of the Army by providing timely and valued services that focus on the evolving needs of Army leadership. To ensure its audits are relevant to the needs of the Army, USAAA aligned their audit coverage with the Army's highest priorities and high-risks areas as determined by its enterprise-level risk assessment and from input from Army senior leaders.

*“USAAA published 79 reports, made more than 250 recommendations and identified about \$1.3 billion of potential monetary benefits.”*

During the second half of FY 2013, USAAA published 79 reports, made more than 250 recommendations and identified about \$1.3 billion of potential monetary benefits. A few of USAAA's significant reports are described in the following paragraphs:

#### Mobile Tower System

##### OVERVIEW:

The Army uses mobile towers to provide tactical air traffic control capabilities where no fixed control tower exists. The current system is too small and uses

outdated technology. The towers were slow to deploy, required excessive setup times, and didn't have the reliability and maintainability to provide consistent air traffic control support. USAAA performed an audit to verify that the mobile tower system would meet the needs of the soldier and address current system capability shortfalls. USAAA focused on the current system and planned improvements and also reviewed testing practices and procedures to verify that testing was sufficient to evaluate Mobile Tower System performance.

##### FINDINGS:

The Mobile Tower System program had an approved capability production document and acquisition strategy, which identified the planned improvements needed to address air traffic control tower system shortfalls. USAAA verified that testing was sufficient to evaluate Mobile Tower System performance and that the test results supported the milestone C decision to approve low-rate initial production.

USAAA found the Army planned to procure four Mobile Tower Systems to be used as operational readiness floats. USAAA calculated ORF requirements using the authorizations-before-fielding formula outlined in Army Regulation 750-1 (Army Materiel Maintenance Policy) and determined that the requirement was less than one system. However, the Office of the Deputy Chief of Staff, G-4 personnel believed they needed four systems because of the system's low density and geographical dispersion requirement. The Office of the Deputy Chief of Staff, G-4 agreed that two engineering development models in inventory could be used as ORFs. Using the two engineering development models would satisfy two of four systems needed for ORFs.

##### RESULT:

USAAA reported the Army should use the two engineering development model systems to satisfy half of the ORF requirements. This would reduce the planned procurements by two systems and save the Army about \$6.2 million. The Office of the Assistant Secretary of the Army (Acquisition, Logistics and Technology) and the Office of the Deputy Chief of Staff, G-4 agreed with the intent of the recommendations and planned to adjust procurements.

*Report No. A-2013-0113-ALA*

*“Transportation office personnel lacked guidance and training for processing transportation transactions and didn’t understand the impact that missing data had on monitoring the centrally managed funds.”*

## Audit of Second Destination Transportation—Fund Execution

### OVERVIEW:

At the request of the Office of the Deputy Chief of Staff, G-4, USAAA conducted this audit to verify that the Army had sufficient controls to oversee how second destination transportation funds were executed and recorded. Second destination transportation is the movement of Army materiel worldwide, from the first government point of acceptance or storage point to the point of use. The DoD uses a contractor-operated third-party payment system to pay for commercial transportation. In FY 2011, there were more than 400,000 transactions totaling about \$453 million in the third-party payment system that the Army paid for using second destination transportation funds.

### FINDINGS:

USAAA concluded the Army needed to improve controls over executing and recording second destination transportation funds. USAAA’s review of the funds that G-4 personnel centrally managed showed: (1) managers relied on incomplete information to oversee funds execution; (2) transportation transactions weren’t consistently authorized and supported; (3) the Army working capital fund should have paid for some transportation charges; and (4) the Army could have avoided Defense Finance and Accounting Service charges to manually process transactions with missing transportation account codes. Transportation office personnel lacked guidance and training for processing transportation transactions and didn’t understand the impact that missing data had on monitoring the centrally managed funds. As a result, the Army had decreased assurance that second destination transportation transactions were properly authorized and supported. About \$528,000 in second destination transportation funding was incorrectly used to ship repair parts. The Army also incurred about \$2.7 million annually in unnecessary DFAS processing fees.

### RESULT:

USAAA recommended that the Office of the Deputy Chief of Staff, G-4 establish guidance on authorizing second destination transportation transactions, to include requirements for documenting transactions, assigning appropriate transportation account codes, performing internal control evaluations and conducting organizational inspections of transportation offices. In addition, USAAA recommended the deputy chief of staff establish a training course for transportation officers. USAAA estimated these actions would save the Army at least \$19.4 million in FYs 2013–2018.

*Report No. A-2013-0111-ALS*

## Property Accountability of Training Aids, Devices, Simulators, and Simulations Upon Receipt

### OVERVIEW:

USAAA conducted this audit at the request of the deputy chief of staff, G-4 to verify that the Army properly accounted for and reported training aids, devices, simulators and simulations. This audit focused on verifying that receiving activities (installation-level activities) properly accounted for TADSS. Installation training support centers used the Training Support—Materiel Armywide Tracking System to account for TADSS. As of April 2012, TS-MATS contained 22.8 million TADSS items costing about \$11.6 billion.

### FINDINGS:

USAAA concluded that installation-level activities didn’t properly account for and report TADSS equipment. Physical inventories conducted at two installations showed the installations didn’t have an accurate accounting of TADSS items or an audit trail of transactions. USAAA’s review of TS-MATS also identified significant inaccuracies. For example, of the reported 22.8 million TADSS items costing about \$11.6 billion, 14.5 million items costing about \$4.7 billion consisted of fictitious ammunition. Personnel at one training support center entered this data into TS-MATS to quantify “real” ammunition saved by using the engagement skills trainer (a simulator).

Further, in accordance with DoD policy, 82,000 items costing about \$5.4 billion were nonexpendable property that should have been accounted for in an accountable property system of record. Army policies required training support centers to use TS-MATS to

account for TADSS items, but the system wasn't an accountable property system of record. The system didn't link with core financial systems or maintain an audit trail of transactions. As a result, the Army had diminished assurance that TADSS items were properly accounted for and reported for asset visibility and financial readiness purposes.

#### RESULT:

The deputy chief of staff, G-4 issued a directive requiring units and activities to record nonexpendable TADSS in an accountable property system of record. The deputy chiefs of staff, G-3/S/7 and G-4, started revisions to Army Regulation 350-38 and Army Regulation 710-2. These changes define responsibilities for accounting for TADSS items and will improve the accuracy of asset and financial reporting. Finally, the Office of the Deputy Under Secretary of the Army for Business Transformation commenced a business process review of the functionality of TS-MATS.

**Report No. A-2013-0129-ALS**

### Stopping Pay for Soldiers in an Absentee or Deserter Status

#### OVERVIEW:

USAAA conducted this audit to verify that the Army had sufficient policy, procedures and controls in place and operating to report deserters or absentee soldiers to the pay system to ensure that pay and benefits for these soldiers was promptly curtailed.

*“More than 60 percent of soldiers who were absent without leave and reported during June, July and August 2012 didn't have their pay stopped within seven days of the date of their absence.”*

#### FINDINGS:

USAAA reported the Army didn't have sufficient controls in place and operating to enforce established policies and procedures for reporting deserters and absentee soldiers to the pay system to ensure the pay and benefits for these soldiers was promptly curtailed. Specifically:

- More than 60 percent of soldiers who were absent without leave and reported during June,

July and August 2012 didn't have their pay stopped within seven days of the date of their absence.

- Army commands weren't reconciling their due-in list of incoming soldiers with the soldiers who in-processed. Commands didn't take appropriate action to report soldiers that were due to report, but didn't, as absence without leave if there wasn't a legitimate reason for their absence. Further, USAAA found more than 39 percent of the absent without leave soldiers reported during July 2012 were absent for more than 30 days and hadn't been processed as deserters. As a result, the Army remained liable for active duty death benefits to these soldiers' next of kin if these soldiers died. The Army is liable until the soldier is processed as a deserter and is dropped from the rolls of the Army.

#### RESULT:

USAAA estimated that the Army could potentially achieve about \$39 million in savings during FYs 2013-2018 by increasing command emphasis on unit commanders' responsibility to process and report absentee soldiers in accordance with current Army policies and procedures.

**Report No. A-2013-0119-FMF**

### Government-Provided Meals for Soldiers Attending Institutional Training

#### OVERVIEW:

USAAA conducted multi-location audits to verify that the Army was properly charging soldiers for their meals when they attended institutional training and were provided government meals during their training attendance. USAAA found some serious weaknesses that needed immediate attention in the management of basic allowance for subsistence collections at three of the five sites visited.

#### FINDINGS:

USAAA found that the Army wasn't collecting BAS from their soldiers when they were provided government meals during their training attendance. Specifically:

- The commands didn't have sufficient policies and procedures outlining the requirement for units to submit Department of the Army Form 4187 (Personnel Action) to collect BAS from soldiers receiving BAS during their training attendance.
- There wasn't coordination between the battalion, brigade S-1s and the school noncommissioned

officers on each office's responsibilities pertaining to enrolling soldiers for attendance at the NCO Academy and subsequent responsibility for the collection of the soldiers' BAS during their attendance.

- There wasn't oversight by the command G-1 to ensure the S-1s understood their duties to initiate and process the personnel actions to collect BAS from the unit's soldiers who attended the NCO Academy and received government-furnished meals.

#### **RESULT:**

USAAA estimated that by increasing command emphasis to unit commanders on their responsibility to collect BAS from their soldiers during their training attendance, the Army could potentially achieve about \$1.7 million in savings at these three installations. As of the current date, two of the three reports have been published and one is still pending command reply. USAAA will also address the systemic problems identified in an overall report to the Department of the Army on the audit of government provided meals for soldiers attending institutional training.

*Report No. A-2013-0123-FMF and A-2013-0146-FMF*

#### Elevated Privileges

##### **OVERVIEW:**

USAAA performed this audit to verify that the Army's network enterprise centers met the principle of least privilege, thus limiting elevated access to those requiring it. USAAA visited four Army installations and reviewed the processes for approving elevated privileges and the oversight of the privileges for users accounts.

##### **FINDINGS:**

USAAA couldn't verify that the Army met the principle of least privilege for its existing elevated users because the network enterprise centers weren't requiring sufficient justification before granting elevated privileges. USAAA reported that Army regulations lacked detailed information regarding the process for approving elevated privileges leading to confusion concerning who approved the privileges—the network enterprise center or the command. Also, the network enterprise centers were providing oversight of elevated users to ensure they met training and certificate requirements and used tokens to access privileged accounts. However, USAAA found that the Army could reduce the risk to its network by

developing a best business practice identifying group policies and scripts that network enterprise centers could use to improve oversight of elevated accounts.

##### **RESULT:**

USAAA recommendations will help ensure that elevated privileged access on Army installations is sufficiently documented, justified and verifiable. It will also allow network enterprise centers to more easily modify any elevated privilege accounts if network enterprise center capabilities or staffing changes over time, and could reduce the Army risk of attack through an insider threat.

*Report No. A-2013-0137-FMT*

*“USAAA identified about \$119 million in efficiencies the Army should achieve in FYs 2013-2017.”*

#### Enterprise Email

##### **OVERVIEW:**

Enterprise Email is one of the Army's initiatives directed at consolidating the information technology infrastructure. USAAA conducted this audit to verify that the Army maximized its efficiencies through the use of Enterprise Email and that the services provided met Army requirements. The review was limited to continental United States network enterprise centers and directorates of information management.

##### **FINDINGS:**

USAAA reported that the Army realized efficiencies in the areas of server hardware, licenses, maintenance and power consumption. USAAA identified about \$119 million in efficiencies the Army should achieve in FYs 2013-2017. Additionally USAAA calculated that the Army was spending about \$5.2 million annually for email storage; however, USAAA couldn't validate this amount because storage equipment is multipurpose, and USAAA could not identify specific equipment specifically allocated for the storage of legacy email data. USAAA also did not identify manpower efficiencies because activities visited generally did not reduce their staffing levels as a result of Enterprise Email and there was no reliable baseline study available. USAAA concluded that the Army will not truly understand the efficiencies it achieved through Enterprise Email until the email service matures.

Although, many of the Army's email requirements are being met by the service provider—Defense Information Systems Agency—there were a few significant issues that still needed to be resolved. For example, DISA was providing two key services—journaling and BlackBerrys—at the level identified in the requirements document, but the need could be much greater. Further, the Army's ability to manage and oversee the service DISA provides was affected by the lack of tools to monitor and ensure performance of services. Specifically, metrics were not in full use, DISA had not provided detailed billing in a way that the Army could manage its costs and there was no formal remediation process for service quality management between the Army and DISA.

## RESULT:

As a result, the Army may have paid for services that should have been baseline services and issues of nonperformance could go unresolved. The lack of a remediation process coupled with the lack of metric reporting and billing terms makes the Enterprise Email program, from the Army's perspective, difficult to manage and oversee. It also leaves the Army vulnerable to nonperformance in the Enterprise Email program. USAAA made recommendations to address these issues, which are vitally important as the Army continues toward more enterprise services provided by DISA or other governmental entities.

*Report No. A-2013-0136-FMT*

## Audit of Army Sustainability Reporting Measures

### OVERVIEW:

The Army Sustainability Report documents the Army's efforts and progress in instilling sustainability into planning, training, equipping and operations, and achieving DoD's annual Strategic Sustainability Performance Plan goals. At the request of the assistant secretary of the Army (installations, energy and environment), USAAA will conduct a series of audits to ensure the quality of ASR data. For this effort, which is the second of a three-phased audit approach, USAAA reviewed the ASR to ensure it sufficiently captured the Army's progress toward meeting DoD requirements and federal mandates for sustainability and to identify risk areas for phase III audits, which will focus on the quality (accuracy, completeness and sufficiency of data metrics) of the sustainability data.

### FINDINGS:

USAAA reported that the ASR sufficiently captured the Army's progress towards meeting DoD requirements and federal mandates for sustainability. The 2012 ASR emphasized the importance of sustainable operations and provided sustainability performance data trends for FYs 2004-2011. Also, unlike previous versions, the 2012 ASR contained a crosswalk between Executive Order 13514 requirements, DoD's Strategic Sustainability Performance Plan goals, Global Reporting Initiative indicators, and the Army's baselines and progress for each of the Army's core enterprises: materiel, readiness, human capital, and services and infrastructure. The Army also increased reporting of GRI indicators from 33 fully reported to 37 in the 2010 ASR and provided appropriate explanations for GRI indicators that weren't reported on or partially reported. In addition, USAAA reported that 12 of the 22 data sources used for the 2012 ASR had related audit coverage (prior, ongoing or planned) by USAAA or from external audit organizations such as DoD IG or the Government Accountability Office. Consequently, USAAA identified 10 data sources, which haven't had recent or planned audit coverage and could potentially be at risk. For phase III audits, USAAA plans to focus on at least four data sources (three of which are among the 10 sources that didn't have recent audit coverage).

### RESULT:

The audit, which contained no recommendations, provided the assistant secretary with assurance the 2012 ASR sufficiently captured the Army's progress towards meeting DoD requirements and federal mandates for sustainability. The assistant secretary agreed with the audit findings and stated that the Army does not plan to issue a GRI-based ASR for 2013 due to resource restraints and will evaluate the feasibility of issuing a two year report in FY 2014.

*Report No. A-2013-0095-IEE*

## Use of Energy Efficient Lighting

### OVERVIEW:

In October 2010, the assistant secretary of the army (installations, energy and environment) directed activities to begin using energy efficient lighting to comply with energy conservation mandates. USAAA conducted an audit to verify that the Army has taken sufficient actions to use energy efficient lighting to help meet energy conservation goals.

**FINDINGS:**

USAAA concluded that the Army has taken actions to comply with the policy. However, some improvements were needed to ensure the Army can consistently report and monitor progress. The three Army Installation Management Command installations and one Army Materiel Command installation that USAAA reviewed made progress towards implementing energy efficient lighting. For example, installations used energy savings performance contracts to install lighting upgrades in existing buildings and had policies in place to control the purchase of incandescent bulbs. In addition, IMCOM developed six energy conservation measures/performance metrics and issued guidance for installations to report their progress. However, although the Army provided guidance to replace incandescent bulbs in the next five years, it didn't have a sufficient process in place to consistently measure, track and report progress towards implementing the policy or to provide effective oversight because the guidance wasn't fully sufficient. Specifically, IMCOM's guidance didn't specify methodology and data sources to be used for reporting progress; other commands' guidance was limited and didn't require activities to report their progress; and Army guidance didn't specify how the policy applied to tenant activities. Consequently, energy managers may not have sufficient data to monitor progress toward implementing the efficient lighting policy by October 2015 to help meet energy conservation goals.



USAAA conducted an audit to verify that the Army uses energy efficient lighting to help meet conservation goals.

**RESULT:**

USAAA recommended that the deputy assistant secretary of the Army (energy and sustainability) and assistant chief of staff for installation management issue clarifying guidance and improve oversight of the implementation of the "Utilization of Efficient Lighting Policy." The deputy assistant secretary of the Army agreed to work with the assistant chief of staff for installation management to update the guidance and improve tracking of progress toward implementing the energy efficient lighting policy. This will provide assurance that the Army is making progress toward meeting energy conservation mandates.

*Report No. A-2013-0089-IEE*

### Follow-up Audit of Accident Investigations and Reporting

**OVERVIEW:**

At the request of the deputy assistant secretary of the army (environment, safety and occupational health), USAAA conducted a follow-up audit on actions taken to oversee the development of the single accident reporting system and ensure activities discontinue development of legacy systems. The original audit report showed that the Army didn't have a centralized safety system that was sufficient to capture Armywide accident data. Further, an effective level of Army oversight wasn't in place to ensure the development of ReportIt and the discontinuance of developing legacy systems.

**FINDINGS:**

USAAA reported that deputy assistant secretary of the army (environment, safety and occupational health) took actions to oversee and coordinate the development of ReportIt and the Army realized monetary benefits of \$3.75 million. However, actions weren't sufficient to fully implement the recommendation and develop ReportIt in a timely manner. Specifically,

- Deputy assistant secretary of the army (environment, safety and occupational health) didn't establish a process to transfer or shift funds from other safety systems to the single accident reporting system. Further, USAAA found that Army Materiel Command's FY 2012 and FY 2013 budgets included an additional \$4.5 million for its legacy system and the command had no plans to execute the funding as described in its budget request.

*“The Army plans to spend an additional \$18.1 million to develop and sustain the ASMIS-R modernization effort...”*

- Two Army activities were using systems with similar characteristics and capabilities as the Army Safety Management Information System-Revised. The Army plans to spend an additional \$18.1 million to develop and sustain the ASMIS-R modernization effort between FYs 2013 and 2018 even though DoD currently has an ongoing initiative to select or develop a safety management system for the entire DoD community.

#### **RESULT:**

USAAA recommended that deputy assistant secretary of the army (environment, safety and occupational health) needs to reevaluate the cost-effectiveness and document the decision whether ASMIS-R (which includes ReportIt, AnalyzeIt, TrackIt and PreventIt) should remain the Army's vehicle for implementing the 2006 requirement of a single Armywide accident reporting system as directed by the vice chief of staff, Army. USAAA also recommended that the deputy assistant secretary of the army (environment, safety and occupational health) discontinue funding for the further development of the ASMIS-R modernization effort until the reevaluation is completed.

*Report No. A-2013-0134-IEE*

## Contracting for Health Care Providers

#### **OVERVIEW:**

USAAA audited the Army Medical Command's processes for health care provider contracts to verify that the contracts were based on valid and well-defined performance requirements and the Army received the services for which it paid. USAAA performed the audit because MEDCOM spends a significant amount for contracted providers. For example, during FY 2011, the command obligated at least \$2.2 billion for health care provider contracts.

#### **FINDINGS:**

USAAA reported that MEDCOM's Health Care Acquisition Activity awarded the contracts according to the Federal Acquisition Regulation and policies issued by DoD, the Army and MEDCOM. Additionally, MEDCOM customers established requirements based on workload and staffing standards with command

approval and generally monitored the contracts to ensure performance requirements were met and the Army received the services for which it paid. However, documentation wasn't available to show that three of six contracts reviewed were cost-effective and sufficient hours weren't available to pay for completed requirements on two contracts. In addition, contracting officer representatives on four contracts didn't follow quality assurance surveillance plans, document surveillance activities or report contractor performance to contracting officers.

#### **RESULT:**

USAAA made three recommendations to MEDCOM to improve health care provider contract oversight. Specifically, USAAA recommended establishing procedures to make sure contract approvals include documentation of cost-effectiveness and contract line items include sufficient funding for all requirements. Additionally, USAAA recommended that CORs document their activities in accordance with quality assurance surveillance plans and that contracting personnel provide prompt feedback on contractor performance. The assistant secretary of the Army (manpower and reserve affairs) agreed with the recommendations.

*Report No. A-2013-0114-IEM*

## Service Cost Execution Process

#### **OVERVIEW:**

The assistant chief of staff for installation management requested that USAAA analyze the execution of service costs to determine if the Installation Status Report-Services captured the true service costs.

#### **FINDINGS:**

USAAA reported that Installation Status Report-Services data compiled for FY 2010 and FY 2011 didn't reflect the complete cost picture for the installation services reviewed which could negatively affect the Army's ability to program for future funding needs of the installations. This occurred because of systemic problems implementing the General Fund Enterprise Business System, which the Army in turn used to populate Installation Status Report-Services. Additionally, local shortcomings in recording service execution costs and supplemental funds issues contributed to these differences.

**RESULT:**

USAAA made recommendations to improve the detailed reporting of base operations service costs, which should result in more accurate forecasting of future funding requirements. USAAA also identified potential savings of about \$7.8 million due to the reduction in the existing vehicle fleet at one of the installations visited.

*Report No. A-2013-0150-IEO*

### Cost Sharing: Logistics Support, Services, and Supplies, U.S. Forces-Afghanistan

**OVERVIEW:**

At the request of U.S. Forces-Afghanistan, USAAA verified that sufficient agreements, processes and procedures were in place to equitably allocate costs and recoup funds for logistics support, services and supplies provided to coalition partners supporting Operation Enduring Freedom in Afghanistan. The audit focused on Logistics Civil Augmentation Program provided services and costs.

**FINDINGS:**

USAAA reported that USFOR-A and regional commands didn't have sufficient processes and procedures in place to identify and equitably allocate costs of logistics support, services and supplies shared with coalition partners. Regional command personnel and USFOR-A acquisition and cross-servicing agreement coordinators didn't prepare CC-3S transaction reports to capture the cost of services provided to coalition partners. In addition, CC-3S transaction reports that were prepared, many didn't arrive at the Defense Finance and Accounting Service for billing to coalition partners.

**RESULT:**

There were 178 CC-35 transaction reports valued at about \$27.2 million prepared by regional commands that had not been received and processed by DFAS. In addition, once sound procedures are in place and operating, USAAA estimated that through USFOR-A, U.S. Army Central Command should recoup about \$384.4 million from coalition partners for logistics support, services and supplies for FYs 2013 and 2014.

*Report No. A-2013-0110-MTE*

### Financial Management—Home Station Mission

**OVERVIEW:**

At the request of the assistant secretary of the army (financial management and comptroller), in coordination with the Task Force on the Optimization of Army Financial Management, USAAA completed a narrowly-focused review of potential opportunities that exist for financial management soldiers to perform a home station mission to meet the agreed-to deadline of the task force. This audit was the final phase in a series of audits on financial management operations. Prior USAAA audits addressed training, force structure, and mission resources and capabilities.

**FINDINGS:**

USAAA reported that a home station financial management mission was feasible in the new enterprise environment. Currently, soldiers are not sustaining their deployable skills while at home station. This occurred in part due to limited opportunities based on the financial management force structure and doctrine, transfer of garrison financial functions to civilians and competing training requirements. As the Army moves to an enterprise environment having a cost culture that embraces audit readiness, increased opportunities for financial management soldiers to perform functions at home station have expanded and continue to evolve. A home station mission should serve to enhance critical deployed skill sets, as well as augment other organizations as they plan to meet workload requirements in an increasingly resourced-constrained environment. Without development opportunities at home station, technical proficiency gained through deployments may decrease, which will impede future unit readiness levels.

**RESULT:**

USAAA identified several common functions or missions that financial management soldiers performed in a deployed environment that could be performed at home station in some capacity. These included, but weren't limited to, commercial vendor services, disbursing, managerial accounting, operational planning, decision-making, budget execution and audit readiness. However, the opportunities for a home station mission or enhanced training faced several implementation challenges. These challenges are complex and require

collaboration among multiple entities to resolve which the Army's Financial Management Optimization Workforce Task Force agreed to address.

**Report No. A-2013-0094-MTS**

## U. S. Army Installation Management Command Civilian Workforce Reductions

### OVERVIEW:

At the request of the assistant secretary of the army (manpower and reserve affairs), USAAA audited installation service contracts to verify that contractors didn't replace Army civilians who were eliminated by budget constraints. USAAA focused on changes to the civilian and contractor workforce mix and the associated strategies for getting the work done with the staffing reductions at three locations: Fort Meade, Md.; Fort Stewart, Ga.; and Joint Base Lewis-McChord, Wash.

### FINDING:

USAAA reported that it didn't find Army civilians replaced by service contracts or modifications to the scope of work in existing contracts to accommodate work formerly performed by Army civilians. Analysis of the annual contract costs over a three-year period showed the annual costs remained unchanged or declined. Army garrisons met their mission by using a combination of civilian over-hires, borrowed military and a reduction to the level of services provided to customers. Although USAAA didn't find Army civilians replaced by service contracts, USAAA also acknowledged that the installations weren't operating at their FY 2014 targeted reductions. Therefore, the full impact of the reductions won't be recognized until the release of all encumbered over-strength positions and the FY 2014 targeted reductions are completed.

### RESULT:

USAAA helped validate that service contracts didn't replace Army civilians eliminated by budget constraints—a specific congressional interest of the Senate Subcommittee on Contract Oversight.

**Report No. A-2013-0093-MTS**

## Retrograde of Class V-Afghanistan

### OVERVIEW:

The deputy commanding general for support, U.S. Forces-Afghanistan endorsed this audit in which USAAA verified that the ammunition accountability and visibility in Afghanistan was sufficient—from the tactical level of Army units located at forward

operating bases to supply activities at logistical hubs and strategic bases. USAAA also evaluated the effectiveness of disposition decisions for items identified as excess to requirements or determined to be unserviceable.

*“USAAA reported that asset disposition decisions were generally economical and provided the best value to the Army.”*

### FINDINGS:

USAAA reported that U.S. Army Central Command activities had policies in place for asset visibility and accountability; however, units sometimes didn't comply with these policies nor had they established sufficient processes and procedures to maintain proper asset accountability and visibility. Commands generally had controls in place, such as sensitive item physical inventories, to ensure accurate recording of ammunition items. However, USAAA found the key internal control of physical inventory wasn't always effective at the unit level. Units didn't have the command emphasis needed to make sure all legacy munitions were recorded, retrograded or disposed of accordingly. Commands also hadn't implemented some aspects of an explosive safety inspection program at the company level to ensure units identified issues and initiated corrective actions in a timely manner.

USAAA reported that asset disposition decisions were generally economical and provided the best value to the Army. Theater activities worked closely together to develop sufficient processes and procedures for the repurpose/retrograde of ammunition. U.S. Army Central Command personnel properly demilitarized unserviceable items, maximized the use of the do not return list, and conserved excess serviceable ammunition for other requirements. They also monitored reoccurring requirements to make sure excess retrograded items weren't immediately called back into theater. These actions provided reasonable assurance the Army received the best value for its resources.

### RESULT:

USAAA made recommendations to the commander, U.S. Forces-Afghanistan to coordinate with the commander, International Security Assistance

Forces Joint Command to improve accountability over property book items, some of which were Category I and II and sensitive items; establish task force oversight metrics to ensure units bring legacy ammunition to record; and to direct regional commanders to have units initiate investigations for items not located during USAAA's inventory. These recommendations should strengthen controls and improve the Army's asset accountability and visibility in Afghanistan.

**Report No. A-2013-0152-MTE**

- “Since April 1, 2013, the Army CID generated 5,674 new reports of investigation and more than 4,225 non-reports of investigation sequence actions.”

## U.S. ARMY CRIMINAL INVESTIGATION COMMAND

### Significant Activities

The U.S. Army Criminal Investigation Command is an independent, combat-ready organization dedicated to providing the U.S. Army critical investigative support, actionable criminal intelligence, logistics security and protective services to senior Department of Defense personnel around the globe. The Army CID had 469 agents and other personnel forward-deployed in support of ongoing contingency operations in Kuwait and Afghanistan. This support extended beyond normal criminal investigations and included logistics security operations, training host nation law enforcement personnel, detainee investigations, and the use of forensic sciences and criminal investigative techniques, which aided combatant commanders in identifying, targeting, capturing, deterring and prosecuting insurgents and criminal elements that pose a threat to U.S. forces.

Since April 1, 2013, the Army CID generated 5,674 new reports of investigation and more than 4,225 non-reports of investigation sequence actions. In spite of the demanding caseload, the Army CID maintained a solve-rate of 99.6 percent for drug crimes, 94 percent for persons crimes, 95 percent for economic

fraud crimes, 94 percent for violent death crimes, 87 percent for violent sex crimes, 64 percent for property crimes and 100 percent for miscellaneous crimes, with an overall solve-rate of 97.2 percent. According to the 2011 FBI Uniform Crime Report, these solve-rates for Army CID exceeded the national average of 47.7 percent for violent crimes (murder, forcible rape, robbery and aggravated assault) and 18.6 percent for property crimes (burglary, larceny and motor vehicle theft). The Army CID generated more than \$33,023,503 in total recoveries of criminal fines, civil penalties, civil false claims recoveries and restitution during the reporting period.

The Army CID continued to place significant emphasis on the conduct of sexual assault and death investigations to help meet the intent of DoD and Department of the Army leadership in reducing the number of sexual assaults and suicides that affect the Army community.

### Specialized Unit Operations

#### Protective Services Battalion

The Protective Services Battalion conducted continuous worldwide executive protection from assassination, kidnapping, injury and embarrassment for designated senior, high-risk personnel in DoD, the Joint Chiefs of Staff, the Army and for their foreign counterparts during official visits to the United States. The Protective Services Battalion also provided oversight of training and operational effectiveness for combatant commander protective services in U.S. Southern Command and U.S. Forces Korea. Since April 2013, the Protective Services Battalion conducted more than 200 protective services missions outside the continental United States, in continental United States and in deployed environments without incident. This included 11 visiting foreign counterpart missions for ministers and chiefs of defense within the national capital region and throughout continental United States. The Protective Services Battalion continued to provide protective support for two former secretaries of defense and one former chairman of the joint chiefs of staff. The battalion's intelligence section conducted full spectrum threat assessments for every low, medium or high-risk travel mission and for each personal security vulnerability assessment, incorporating terrorist and criminal

threat data into a comprehensive risk analysis program. The intelligence section established a new 24-hour watch and support team that assisted Protective Services Battalion special agents around the clock and anywhere in the world while on missions. The battalion led the way in establishing the Digital Persona and Personal Information Protection program, which secured the personally identifiable information, sensitive data and other personal information of the protected principals that was collected or stored by the U.S. government and public and private entities. This information is often the target of individuals attempting to gain unauthorized access, hackers and other threats. The Protective Services Battalion continued to deploy special agents to the U.S. Central Command to lead protective service details for senior U.S. combatant commanders.

### Computer Crime Investigative Unit

The Army CID Computer Crime Investigative Unit continued its support of the DoD strategy for operating in cyberspace by aggressively investigating intrusions and related malicious activities affecting Army computers and networks. The Computer Crime Investigative Unit's increased emphasis on insider threats was exemplified by the successful prosecution of an Army intelligence analyst for cyber espionage stemming from the largest illegal disclosure of classified material in U.S. history. The Computer Crime Investigative Unit partnered with the U.S. Army Cyber Command to conduct crime prevention surveys of the Army's LandWarNet to proactively identify vulnerabilities and prevent unauthorized access, misuse, damage and disruption to military operations. This program resulted in a \$42.2 million cost avoidance to the Army. Following the mandatory remediation of identified vulnerabilities, no computer network compromises occurred at assessed installations for this reporting period.

### Major Procurement Fraud Unit

The Major Procurement Fraud Unit continued to combat fraud and corruption related to contingency operations. The global mission of the Major Procurement Fraud Unit is to conduct criminal investigations into allegations of fraud associated with major Army system acquisition programs to recover Army funds, ensure the integrity of the Army procurement process and deter future crimes

to preserve soldier safety and Army readiness. The Major Procurement Fraud Unit investigated allegations of fraud affecting contracting operations in contingency environments throughout the world. The Major Procurement Fraud Unit has four forward operating investigative offices in Afghanistan and Kuwait, focused on contingency fund contractual fraud involving overseas contingency operations in support to the various military operations under Operation Enduring Freedom and Operation New Dawn. Since April 2013, the Major Procurement Fraud Unit initiated 102 reports of investigations, with approximately \$15,155,040 in total recoveries and \$1,346,856 returned to the Army. Specific to over-seas contingency operations, the Major Procurement Fraud Unit initiated 20 reports of investigations and realized \$14.4 million in fines and restitutions.

### U.S. Army Criminal Investigation Laboratory

The U.S. Army Criminal Investigation Laboratory's Forensic Exploitation Directorate has two operational elements: the Global Forensic Exploitation Center and the Forensic Exploitation Team(s). The Global Forensic Exploitation Center is the CONUS reach-back, which provided forensic exploitation for overflow from the Afghanistan Theater of Operations as well as to those global customers without organic exploitation capability. The Forensic Exploitation Team(s) provided deployable solutions that were tailored, scaled and customized based on the particular mission. While



A special agent collected fingerprints for the Global Forensic Exploitation Center.

the focus of the directorate remains largely on support to Operation Enduring Freedom, the Forensic Exploitation Directorate experienced a sharp increase in demand for deployable laboratories and reach-back services from the geographic combatant commands for future contingency operations. There is still a growing need to use forensics in support of joint interagency and multinational activities conducted on an ongoing, routine basis as a component of Theater Security Cooperation Plans to assure friendly relationships and alliances and deter potential adversaries.

During the reporting period, the Global Forensic Exploitation Center received 497 exploitation requests from several organizations around the world and completed 423 cases containing 2,707 separate items. While the majority of cases came from the Afghanistan Theater of Operations, other supported organizations included the Biometric Identity Management Activity, the U.S. Naval Forces Central Command Exploitation Laboratory in Bahrain, the National Ground Intelligence Center, Joint Task Force Guantanamo and the Armed Forces DNA Identification Laboratory. Of the total cases received and completed, the Latent Print Branch completed analysis on 67 cases, the DNA Branch completed analysis on 338 cases, the Electronic Engineer Branch completed analysis on 29 cases and the Explosive Chemistry Branch completed analysis on 35 cases. The analysis of the received materials resulted in 2,518 searchable DNA profiles and yielded 293 biometric matches. There were more than 324 latent fingerprints found and 25 database matches.

The Global Forensic Exploitation Center established the first resident explosive triage section in concert with Naval Explosive Ordnance Disposal Technical Division. This is a fully functional explosive triage section in direct support of the Forensic Exploitation Directorate and the Global Forensic Exploitation Center, to conduct secondary level II triage and technical exploitation of all captured enemy material and evidence received at Global Forensic Exploitation Center for exploitation, processing and analysis. The explosive triage technician is responsible for the explosive safety and protection of Global Forensic Exploitation Center laboratory personnel from the hazards associated with all captured enemy material,

particularly improvised explosive device components. He also provides subject matter expertise for all matter involving the technical exploitation of improvised explosive device material. The technician was integrated into Global Forensic Exploitation Center operations, synchronizing the efforts of the Forensic Exploitation Division and Naval Explosive Ordnance Disposal Technical Division Technical Support Division to support the weapons technical intelligence process and exploitation of captured enemy material and improvised explosive device components.

*“The Latent Print Branch examined 1,125 latent-to-latent cases which resulted in 1,425 matches or linked cases after 39,382 examinations.”*

During this reporting period, the Forensic Exploitation Directorate and Global Forensic Exploitation Center Latent Print Branch resumed the latent-to-latent comparisons derived from the Biometric Identity Management Activity's biometric database, Automated Biometric Identification System, and also reported those findings to the intelligence community. The Latent Print Branch examined 1,125 latent-to-latent cases which resulted in 1,425 matches or linked cases after 39,382 examinations. The Latent Print Branch also revised and effectively integrated the support provided to the Combined Joint Task Force Paladin Theater Explosive Exploitation Cell regarding the creation of 30 prosecution support packages. It developed court charts of latent prints and record prints of detainees prior to going to trial. These court charts were added to the prosecution support packages and were used by Afghan prosecutors and judges to convict and sentence terrorists to prison. The Global Forensic Exploitation Center DNA Branch successfully completed the training and certification of five DNA analysts and one technician who were approved and released for independent case work. The DNA Branch started backfilling data into the Expeditionary Forensic DNA Index System. This required a complete review of all completed case work from legacy laboratories in theater, as well as all of the Global Forensic Exploitation Center historical cases. A new protocol was put online that allowed the DNA team to perform a robotic extraction using the EZ1 Robots instead of performing it manually;

the team completed extractions more expeditiously and produced the same high-quality product. The DNA sample identifiers were submitted to Biometric Identity Management Activity on a weekly basis to try to link the Armed Forces DNA Identification Laboratory, Biometric Identity Management Activity and Combined DNA Index System databases. The Global Forensic Exploitation Center DNA Branch began preparing for a full accreditation according to the International Organization for Standardization and FBI quality assurance standards.

The Forensic Exploitation Team 1 maintained a robust capability to conduct forensic examinations in the following disciplines: explosive triage, latent prints, DNA, chemistry (explosives and drug analyses), electronic engineering, firearms and tool marks, and forensic/biometric enabled intelligence analysis. Team 1's forensic analysis provided timely intelligence used for linking known insurgents forensically to captured enemy material, such as improvised explosive devices, weapons, documents and other materials that were used for targeting and prosecution in Afghan courts. The Afghanistan Captured Materiel Exploitation Laboratories are under the operational control of Combined Joint Task Force Paladin Theater Explosive Exploitation. The Afghanistan Captured Materiel Exploitation laboratories are comprised of U.S. military personnel, coalition forces, Department of the U.S. Army Civilians and U.S. contractors.



An Army CID agent collected fingerprints at a criminal investigation scene.

**Forensic Analyses and Productivity:** The laboratory caseload in Afghanistan decreased 60 percent in 2013 compared to the same period in 2012. The decrease is attributed mainly to the turnover of combat operations to the Afghanistan National Security Forces. The Forensic Exploitation Team examiners conducted forensic examinations on more than 209,561 pieces of material, completing more than 3,367 laboratory requests. More than 735 insurgents were uniquely identified using latent prints and DNA processed from captured enemy material and matching it to known profiles in DoD databases: 543 of those identifications came from latent prints submitted to the Biometric Identity Management Activity and searched in the Automated Biometric Identification System database; 192 identifications came from DNA submitted to the Armed Forces DNA Identification Laboratory and searched in its database. Forensic examination results supported the successful prosecution of 78 individuals resulting in a total of 698.5 years of confinement. Apart from prosecution successes, significant cases during this reporting period also included captured and killed enemies of Afghanistan. Examples, of each, are included:

- In April 2013, Jana Akharamahamad was biometrically matched when his fingerprints were developed from the adhesive side of clear packing tape used to build a pressure-plate improvised explosive device. The Forensic Exploitation Directorate Intelligence staff directed the dissemination of a be-on-the-look-out document throughout Afghanistan; U.S. Special Operations Command personnel killed Jana Akharamahamad May 27, 2013.
- In February 2013, Abdul Razaq was biometrically matched when his fingerprints were developed from the adhesive side of an interior layer of yellow packing tape used to build a command-wire improvised explosive device. The Forensic Exploitation Directorate Intelligence staff directed the dissemination of a be-on-the-look-out document throughout Afghanistan. On May 8, 2013, an Afghan National Army patrol received small arms fire. While the patrol questioned nearby locals after the incident, it recognized Abdul Razaq from his be-on-the-look-out, and detained him on site.
- The Digital Evidence Branch examined a partially melted cell phone and obtained information that linked the phone to the subject, who was immediately questioned.

- The Trace Evidence Branch conducted fire debris analysis in both incidents and found ignitable liquids. In the second incident, alcohol rags were used and the presence of isopropyl alcohol was detected. The fabric rags and alcohol rags were consistent with the source materials at the scene and statements made by the subject. A suspected shipyard worker confessed and pleaded guilty to two counts of arson. This shipyard worker set fire to rags aboard the USS Miami nuclear submarine because he was allegedly fighting depression. He was sentenced to 17 years in jail. The blaze injured seven people and caused \$450 million in damage. He was ordered to pay \$400 million in restitution.

*“The USACIL’s DNA Branch continued to excel both in its day-to-day operation and in scientific advances benefitting support to criminal investigations...”*

The USACIL’s DNA Branch continued to excel both in its day-to-day operation and in scientific advances benefitting support to criminal investigations:

- The USACIL DNA Branch provided an on-line automated process for examining touch DNA samples. This new procedure not only allowed the laboratory to conduct DNA on those types of samples faster, but also retired the old organic DNA extraction procedures, which required work with very hazardous chemicals and reagents.
- The USACIL DNA Branch continued to lead the way in the forensic DNA community in the area of complex mixture interpretation and applying statistical weight. The branch collaborated with specialists in New Zealand to adopt new software and statistical methods, placing them in the forefront of this issue in the United States.

Research, development, testing and evaluation technology improvements during this period included the following:

- Typical forensic evidence (e.g. rape kits) submitted to USACIL contained DNA mixtures with a major female fraction and minor male fraction. To increase detection of the male fraction, automated DNA isolation robots were tested, validated and implemented at the crime

lab. This technology resulted in a two to threefold recovery increase of the male fraction, leading to more accurate downstream DNA analyses. Moreover, the same technology was also leveraged by the Forensic Exploitation Directorate laboratories that were deployed in Afghanistan with a modified protocol to analyze low-level touch DNA samples isolated from improvised explosive devices.

- Forensic evidence with complex DNA mixtures (i.e., mixtures containing three or more contributors) frequently submitted to USACIL laboratories include sexual assault swabs, improvised explosive device components and cell phones. These mixtures were difficult for DNA examiners to analyze and often were left uninterrupted. To improve analysis of these mixtures, Research, Development, Testing and Evaluation partnered with the Institute of Environmental Science and Research Limited, New Zealand, to train DNA examiners to use the STRmix program. STRmix is an expert software program that assists DNA examiners in their interpretation of complex mixtures, enabling them to extract more information from previously unusable data sets. Consequently, USACIL will be the first forensic laboratory in the nation to test, validate and implement this software. The affect of the software will:

- Introduce a new statistical model for DNA-mixture interpretation.
- Accelerate the prosecution of sexual assault cases, improvised explosive device evidence and other cases involving DNA mixtures.
- Establish USACIL as the in-country authority for technology transfer of the system to other federal, state and local crime labs.

The time required for forensic laboratories to process DNA samples can be lengthy—eight or more hours to a day and half—depending on the sample quality, laboratory resources and laboratory throughput capability. To reduce this time requirement, a rapid DNA program was initiated. USACIL led in the testing and evaluation of three different rapid DNA platforms: NetBio’s Accelerated Nuclear DNA Equipment, IntegenX’s RapidHit platforms and LGC’s ParaDNA. The first two systems provide full short tandem repeat profiles based on the combined DNA index

system's core STR loci in approximately 90 minutes. The ParaDNA platform is an investigative screening tool that analyzes a subset of those same loci in 75 minutes. The effect of this technology is immense and could lead to reduced laboratory backlogs for DNA casework. Moreover, since all the platforms require minimal user training and hands-on time, the systems offer increased efficiency with less user errors.

### Criminal Investigation Task Force

The DoD Criminal Investigation Task Force is a highly specialized joint unit that conducted criminal investigations of suspected terrorists, war criminals and insurgents, in conjunction with deployed battalions, leading to trials across all appropriate legal venues, including military commissions, U.S. federal courts and host-nation courts.

In support of the Guantanamo military commissions, Criminal Investigation Task Force special agents conducted criminal investigations of detainees; Criminal Investigation Task Force attorneys worked hand-in-hand with the DoD Office of the Chief Prosecutor, Office of Military Commissions; Criminal Investigation Task Force linguists reviewed evidence and provided translations in Pashto, Dari, Urdu, Arabic and Farsi of documents, audio and video files; and Criminal Investigation Task Force analysts successfully integrated an advanced intelligence augmentation system with Criminal Investigation Task Force investigations, providing an invaluable tool which mined massive data sets for intelligence and law enforcement applications and linked evidence to crimes. The analysts also provided direct reach-back support on seven requests related to high priority cases.

The Criminal Investigation Task Force pursued justice for the victims of the deadly attacks on the United States Sept. 11, 2001, in which 2,977 people were killed, and on the USS Cole where 17 U.S. sailors were killed Oct. 12, 2000. The Criminal Investigation Task Force also assisted prosecutors with several high-profile, pretrial military commission hearings for the detainees charged in those cases and assisted prosecutors with preparations for their planned trials. The Criminal Investigation Task Force also investigated the case of a Guantanamo detainee, Abd al Hadi al-Iraqi, who allegedly once commanded al Qaeda's

efforts in Afghanistan and Pakistan. He was charged June 7, 2013, for allegedly coordinating a series of attacks and related offenses in Afghanistan against U.S. and coalition forces from 2001 to 2004 and for overseeing an operation that included firing upon a medical helicopter as it attempted to recover causalities.

In an initiative related to Guantanamo, Criminal Investigation Task Force attorneys and analysts continued to serve as an integral part of the DoD Security Classification/Declassification Review Team, established in August 2008 to review all DoD documents to be used in military commissions and Supreme Court-ordered detainee habeas hearings, and to produce declassified records for those proceedings and other legal proceedings.

*“Between April and September 2013 analysts reviewed, redacted and declassified more than 22,500 pages of records and processed more than 870 documents ...”*

Between April and September 2013, Criminal Investigation Task Force attorneys and analysts reviewed, redacted and declassified more than 22,500 pages of records and processed more than 870 documents for release to military commissions and the federal court. Since the project's inception, Criminal Investigation Task Force attorneys and analysts processed more than 16,000 documents.

The Criminal Investigation Task Force's efforts have enabled Criminal Investigation Task Force documents and other DoD documents to be utilized in ongoing habeas litigation and the planned trials of detainees, including Khalid Sheikh Mohammed, believed to be the mastermind of the Sept. 11, 2001, plot, and four other detainees charged with planning and executing the attack; Abd al Rahim al Nashiri, who allegedly oversaw the planning and preparation of the Oct. 12, 2000, attack on the USS Cole; and Ahmed Mohammed Ahmed Haza al Darbi, charged with aiding and abetting terrorism and other offenses related to a 2002 attack against a French oil tanker, which killed a Bulgarian sailor, and other plots to bomb civilian oil tankers.

During the reporting period, Criminal Investigation Task Force Document Media Exploitation unit imaged, reviewed and summarized more than 580 gigabytes of digital documents and audio and video files. Since the inception of the project in mid-2002, Criminal Investigation Task Force personnel have identified and linked evidence found in documents and other material to more than 40 terrorism investigations. In total, they have identified and cataloged more than 400,000 documents and have imaged, reviewed, exploited, summarized and entered more than 9.8 terabytes of digital media evidence (documents, audio and video files) into Criminal Investigation Task Force's case management system for use by agents and analysts.

*“...at the Justice Center in Parwan, Afghanistan...there were more than 765 trials held between April and September 2013, resulting in more than 490 convictions.”*

In support of the Combined Joint Interagency Task Force 435, Criminal Investigation Task Force agents conducted more than 220 interviews of detainees in Afghanistan and were successful in developing confessions from more than 90 percent of them. The confessions will be used in Afghan courts, along with other evidence. Afghans prosecuted the cases in the anti-terrorism court at the Justice Center in Parwan, Afghanistan; there were more than 765 trials held between April and September 2013, resulting in more than 490 convictions.

The Criminal Investigation Task Force attorneys and analysts in Afghanistan and at Fort Belvoir, Va., also contributed to a process, named after Section 841 of the National Defense Authorization Act of 2012, to determine if entities with potential or existing contracts with the United States had insurgent connections. The Section 841 process provides the U.S. Central Command Theater commander with the means to restrict, terminate or void contracts with entities with insurgent connections. The attorneys reviewed more than 10 potential cases against entities with potential or existing contracts for legal sufficiency, and the analysts provided direct analytical reach-back support to more than seven potential

Section 841 nominations. USCENTCOM issued four notification letters identifying five companies and their associates as Section 841 designees, and Criminal Investigation Task Force contributed to all of those investigations.

The Criminal Investigation Task Force agents and analysts in Virginia identified 24 Army CID cases that involved logistical-related thefts in the Afghanistan Theater of Operations totaling \$6.9 million, and \$636,150 of that amount has since been recovered. Of the 24 cases, they assisted in resolving five Army CID cases by providing Army CID agents deployed in theater with direct analytical reach-back support. They also provided information and analytical assistance pertaining to 111 Army CID cases.

The Criminal Investigation Task Force analysts also completed the development of a cutting-edge, government-owned logistics security common operational picture tool that is comparable to software that probably would have cost the government millions of dollars. The tool, which took two years to develop, is designed to enable an operational response to the theft and capture of U.S. materiel transiting unsecured lines of communication in Afghanistan. Criminal Investigation Task Force plans to share this tool with the Department of Homeland Security-Customs and Border Protection National Targeting Center.

#### Law Enforcement Professionals

To effectively combat extremist/insurgent groups, U.S. forces must understand international organizations, including their intent, motives, structure and methods of movement for personnel, money and arms. The Law Enforcement Professionals program is an ongoing Army CID-managed program which supports both the U.S. Army and the U.S. Marine Corps during contingency operations. The Law Enforcement Professionals program embeds experienced former law enforcement personnel at all echelons from corps to battalions and some select companies. The LEP mission is to advise, assist, mentor and train U.S., host nation and coalition forces in various criminal enterprise investigative and analytical law enforcement skill sets used in counter-improvised explosive device operations, counter-narcotics and counter nexus operations. LEP personnel are an

integral component of a comprehensive civil-military counterinsurgency campaign. They assist commanders with enhanced expertise and methodology to understand, identify, penetrate, interdict and suppress international insurgent and criminal-like network enterprises. The Law Enforcement Professionals program, through advising, assisting, training and mentoring, has been a great success; significant amounts of evidence were collected, and individuals were profiled and identified for questioning and prosecution in Afghanistan in support of the rule of law. In the Afghanistan theater of operation, the Law Enforcement Professionals program has accomplished the following in the past six months:

- LEP personnel assisted Army CID and military police officers with numerous investigations of thefts from Forward Operating Base Fenty, Behsud District, Nangarhar Province, Afghanistan. Soldiers at the entrance control point identified stolen lumber and security uniforms being driven off the Forward Operating Base by base employees using the base operations vehicle. The uniforms were the type used by Afghan security guards who worked at Forward Operating Base Fenty. The Afghan security guards provide contract security at the Forward Operating Base and are armed. The investigation revealed a detailed and deliberate plan to remove lumber from the base. The stolen property was sold by bid for the lot. There was evidence that local workers and contractors were involved. LEP personnel advised, assisted and mentored many aspects of the investigation, including methods, history, financial interest and the effect on force protection. There were immediate procedures initiated to prevent further thefts and improve force protection measures. This is a striking example of the "added value" of the LEP personnel working with their military partners.
- The Farah Investigative Surveillance unit site leader met with a law enforcement professional assigned to Farah Law Enforcement Professionals Investigative Surveillance and was mentored on the significance of the capture of an insurgent in Farah City. This insurgent attacked a coalition forces patrol convoy in Farah City and killed one coalition forces commander. The insurgent was captured by Afghanistan National Police during an unsuccessful second attack on coalition forces several days later. Farah Law Enforcement Professionals - Investigative Surveillance advised them of the importance of interviewing the detainee to determine if he would provide information concerning other insurgents in Farah City who were planning acts of terror against Afghan Security Forces, local nationals and coalition forces. The Investigative Surveillance Unit site leader was trained to obtain biometric evidence from the detainee in order to compare evidence collected from previous attacks to this detainee. The Investigative Surveillance site leader met with the Law Enforcement Professionals - Investigative Surveillance and provided the biometric evidence and disclosed that the detainee admitted to committing both attacks.
- The National Directorate Security agents arrested five members of a suicide bomber cell. The agents allowed the LEP personnel to biometrically enroll and collect buccal swabs from the leader of the cell, Jandulla Ghulam Mohammad. The detainee's DNA sample was matched to previously recovered suicide vest materials. Additional National Directorate Security agents detained three other persons who tested positive for biometric hits. One person was detained as a match on a be-on-the-lookout flyer.

## Command Intelligence Operations Center

The Command Intelligence Operations Center continued to expand its analytical support to investigative elements worldwide by collecting, assessing and disseminating criminal intelligence to the Army CID field units conducting criminal investigations or employed in crime prevention efforts. The Command Intelligence Operations Center also continued to grow the Army's e-Guardian program, which allowed Army law enforcement to share and disseminate potential terrorist threat information with the FBI, DoD, state and local civilian law enforcement authorities, nationwide. The Army CID continued to strengthen use of the FBI eGuardian Suspicious Activity Report system by Army activities. The Command Intelligence Operations Center managed the accounts of 406 Army eGuardian users who were responsible for the issuance of 206 suspicious activity reports during the first three

*“Since February 2008, the Command Intelligence Operations Center has had an analyst solely dedicated to monitoring the illicit and synthetic drug abuse threats to Army personnel and their families.”*

quarters of 2013. Since 2011, there have been eight incidents that resolved to a “YES” nexus to terrorism and a full field investigation by the FBI. Enhancements in search capabilities will allow military police and analysts to gain a better understanding of the suspicious activity surrounding installations to enable improved investigative response.

- Since February 2008, the Command Intelligence Operations Center has had an analyst solely dedicated to monitoring the illicit and synthetic drug abuse threats to Army personnel and their families. The analyst works with the Office of National Drug Control Policy and other federal, state and local drug enforcement personnel. By establishing and maintaining these relationships, the analyst leveraged and shared information to educate Army CID offices about emerging and shifting drug trends. The information pertaining to illicit drug trends was then used to set drug suppression goals and make resource management decisions. The analyst also assisted Army CID offices in active drug investigations. The analyst’s knowledge of illicit and synthetic drugs and other abused substances, in conjunction with other drug enforcement personnel, allowed for more efficient, effective and comprehensive assistance and analysis during active drug investigations. The illicit and synthetic drugs and other abused substances are ongoing threats to the Army that demand continuous observation.
- Since October 2011, the Command Intelligence Operations Center has had an analyst dedicated to monitoring the gang and domestic extremist threat to the Army. The analyst works with the National Gang Intelligence Center to cultivate working relationships with federal, state and local law enforcement agencies investigating gang-related crime. Gang activity continues to be a contributing factor in only a very low number of

criminal investigations conducted by the Army CID. However, the threat of gang and domestic extremist groups conducting criminal activity on Army installations, the threat of extremist infiltration of the Army to pursue training in weapons and explosives, and the potential loss in public confidence due to a perception that the Army allows extremists in its ranks requires constant monitoring.

In FY 2013, the Investigative Analysis Branch completed numerous studies to include 10 installation comparison papers that identified offenders by crime type and by number of offenses; an analysis on child sexual assault/child pornography offenders, with action taken by civilian authorities; a report on soldiers involved in extortion and blackmail using social media; and an analysis of all active duty and mobilized reservist soldier suicides, with a particular focus on suicides that occurred in the barracks and involved the inhalation of a toxic substance.

## Significant Investigative Cases

### Spare Parts Overcharged for US Army Tanks

#### OVERVIEW:

An investigation into Curtiss Wright Controls Incorporated determined the company had submitted inaccurate cost and pricing data in connection with a Tank Automotive and Armaments Command contract for Bradley Fighting Vehicle spare parts, which resulted in overcharges to the government totaling approximately \$1,311,728. Curtiss Wright Controls Incorporated certified material part unit prices which were higher than actual purchase order histories; submitted certified bills of material containing out-of-date price quotations; purchased material parts from a different vendor at a lower cost; and failed to notify the Army of a corporate pricing agreement prior to the certification.

#### RESULT:

On May 15, 2013, The U.S. Attorney’s Office, District of Massachusetts, executed a civil settlement agreement wherein Curtiss Wright Controls agreed to pay a \$1,352,441 in criminal penalty to the government. The Army Procurement Fraud Branch declined to take administrative action.

## False Invoices Submitted by Contracting Officer

### OVERVIEW:

This joint investigation with Defense Criminal Investigation Service and the Department of Health and Human Services Office of the Inspector General determined Nanoscale Corporation and its chief operating officer, Aaron Madison, mischarged acquisition costs of equipment used on multiple projects to two government contracts totaling approximately \$177,294. The false invoices and certifications Madison submitted electronically overstated Nanoscale's costs related to nitrogen use on various contracts and also charged the costs of leasing equipment to the government for equipment that Nanoscale used for various nongovernment projects.

### RESULT:

The Army Procurement Fraud Branch debarred Madison from participating in government contracting for two years effective April 5, 2013, through Feb. 19, 2015. The Army Procurement Fraud Branch declined to pursue further action against Nanoscale because the company went out of business.

## Contractor in Iraq files False Invoices

### OVERVIEW:

This joint investigation with AFOSI, the Internal Revenue Service-Criminal Investigations and the Special Inspector General for Iraq Reconstruction was initiated after it was determined the owner of Sourcing Specialist, LLC, Jill Charpia, was awarded a contract with the U.S. government to provide a turn-key housing facility located outside Iraq's international zone. The building was to facilitate the introduction of multinational firms desiring to develop business opportunities in Iraq. Charpia submitted a false invoice for payment in the amount of \$1,270,075 for mobilization costs. In addition, Charpia submitted an invoice representing she paid \$700,000 for the rental of two villas in Baghdad and another representing she paid \$570,075 for the purchase of three armored vehicles from an Iraqi company. As a result of the false invoices, \$1,270,075 was wired to Charpia's bank account.

### RESULT:

Charpia was debarred from participating in government contracting for five years effective April

28, 2013, through Sept. 4, 2018. Additionally, Charpia was sentenced by the Western District of Texas, U.S. District Court, to serve three years of supervised release and ordered to pay \$920,000 plus interest in restitution to the United States.

## Fort Drum Head Shop Closed after Distribution of Illegal Drugs

### OVERVIEW:

Army CID initiated this joint investigation with the Drug Enforcement Administration and the Metropolitan Jefferson County Drug Task Force, N.Y., after information was obtained relating to soldiers assigned to Fort Drum purchasing synthetic cannabinoids from Tebb's Head Shop, N.Y. The investigation determined Tebb's Head Shop was selling synthetic cannabinoids and bath salts, a banned substance for sale in New York State. During covert drug operations, about 1 gram of bath salts from Tebb's Head Shop was purchased. During the monitored purchase, the employee provided instructions on how to best consume the substances for purposes other than what was advertised and labeled on the product. The DEA obtained a warrant to seize all illegal products from numerous Tebb's Head Shops, located throughout Central New York, where thousands of grams of bath salts and synthetic cannabinoids were seized.

### RESULT:

John Tebbett, the owner of Tebb's Head Shop, was charged with possessing and selling bath salts and



An Army CID special agent seized illegal drugs as evidence.

synthetic cannabinoids, in violation of New York Public Health Law, Section 16. Tebbett pleaded guilty in state court and admitted to the distribution of bath salts and to money laundering. The New York Supreme Court issued a decision holding Tebbett responsible for selling deceptively-labeled drug products to consumers and issued a fine in the amount of \$200,000. All Tebb's Head Shops have been placed off limits for Fort Drum soldiers, and Tebbett is pending sentencing for money laundering offenses. The case has been delayed due to a subsequent violation of the terms of his release by using pain pills not prescribed to him.

### **Soldier Seeking Stress Treatment Kills Service Members**

#### **OVERVIEW:**

Army CID responded after Army Sgt. John Russell murdered five other service members at the Combat Stress Center. Russell also assaulted another service member and attempted to murder another service member. Russell's commander had prohibited Russell from carrying a weapon while receiving mental health treatment. On May 11, 2009, Russell became upset with one of his psychiatrists. Military police responded to the altercation and Russell was released to a unit escort. Once Russell arrived at the unit, he stole his escort's rifle and stole a government vehicle that he used to drive to the Combat Stress Center. When he arrived, Russell moved through the building, methodically shooting the staff and patients. The military police and Army CID special agents responded to the shooting and apprehended Russell as he exited the building. U.S. Army Criminal Investigative Laboratory technicians responded to the scene and obtained scene imaging. Russell's gunshot-residue tests were positive. Blood found on Russell's boots matched the blood of the victims. Blood from the victims was found on the rifle Russell used. Shell casings found at the scene and bullet fragments recovered from the victims matched Russell's weapon.

#### **RESULT:**

On May 16, 2013, Russell was convicted by a general court-martial of the unpremeditated murder of five service members and attempted murder of two service members. Russell received a sentence of life in prison without the possibility of parole, reduction in grade to E-1 and a dishonorable discharge.

### **Army Member Murders Afghan Nationals**

#### **OVERVIEW:**

An Army CID investigation was initiated after U.S. Army Staff Judge Advocate Lt. Comdr. Kathryn Matt, Combined Forces Special Operations Component Command – Afghanistan, reported a service member killed and possibly injured several Afghan local nationals near Village Stability Platform Belambai. The service member was identified as U.S. Army Staff Sgt. Robert Bales, who left the Village Stability Platform during the early morning hours of March 11, 2012, and attacked two different local national Afghan family compounds with small arms fire resulting in the deaths of 16 local nationals and wounding of others. The investigation established probable cause to believe Bales illegally used steroids after he submitted a urine sample via search authorization, which tested positive for steroids. Three bottles of steroids were found hidden under a walkway outside Bales' room. The investigation established that Bales forcefully entered seven residential structures in the hours of darkness and shot and killed 16 Afghan local national civilians. The investigation determined that Bales shot and injured five Afghan local national civilians and shot an Afghan local national child in the knee. Bales also shot an Afghan national in the side of the neck causing both disfigurement and loss of feeling in his hand.

#### **RESULT:**

On Aug. 23, 2013, Bales was convicted by a general court-martial and sentenced to life in prison without parole.

### **Army Member Found Guilty of Leaking Information to Wikileaks**

#### **OVERVIEW:**

On May 25, 2010, a joint investigation was initiated with the FBI, Department of State Diplomatic Security Service and Army CID's Computer Crime Investigative Unit into the largest disclosure of classified material in U.S. history. A Computer Crime Investigative Unit source reported that a service member, identified as Pfc. Bradley Manning, claimed during online chat sessions that he had disclosed classified information to the online news organization WikiLeaks.org. On May 27, 2010, Manning was apprehended and a military search authorization was executed on his military quarters in Iraq. Forensic examination of the evidence collected during the investigation by the

Digital Forensics and Research Branch, Computer Crime Investigative Unit, as well as analysis of the released documents and government servers revealed that while stationed in Iraq, Manning accumulated voluminous classified documents, which he subsequently passed to the operators of the website WikiLeaks.org. Manning released hundreds of thousands of classified and unclassified U.S. diplomatic cables, war logs on Iraq and Afghanistan, and Guantanamo Bay detainee files.

#### RESULT:

On July 30, 2013, Manning was convicted by a general court-martial of 20 specifications related to exceeding his authorized access on a classified computer system and the theft and release of hundreds of thousands of classified intelligence documents. On Aug. 21, 2013, Manning was sentenced to 35 years of confinement, reduction to grade of E-1, forfeiture of all pay and allowances and a dishonorable discharge.

#### Army Major Guilty of Premeditated Murder at Fort Hood

#### OVERVIEW:

On Nov. 5, 2009, the Fort Hood, Texas, Criminal Investigative Division Office was notified of shots fired at the Soldier Readiness Center. A joint investigation by CID, Texas Rangers and the FBI determined Army Maj. Nidal Hasan committed premeditated murder when he shot and killed 13 persons and an unborn child of one of the victims present at the Soldier Readiness Center. Hasan also attempted to kill numerous other personnel in and around the Soldier Readiness Center by shooting at them with his semiautomatic pistol. Hasan was shot by a responding police officer after a short exchange of gunfire. A multiagency task force, led by Army CID agents and consisting of the FBI, Texas Rangers and local area law enforcement agencies, conducted more than 3,200 interviews, collected in excess of 2,000 items of physical evidence and ultimately expended in excess of 10,000 investigative hours. Their work resulted in the successful prosecution of Hasan.

#### RESULT:

On Aug. 23, 2013, Hasan was convicted by a general court-martial on 13 counts of premeditated murder and 32 counts of premeditated attempted murder charges and received a sentence of death.

# NAVY

## NAVAL AUDIT SERVICE

NAVAUDSVC mission is to provide independent and objective audit services to assist Department of the Navy leadership in assessing risk to improve efficiency, accountability and program effectiveness. NAVAUDSVC works with senior DON officials to develop an annual risk-based audit plan addressing critical areas officials feel merit additional oversight. NAVAUDSVC also responds to requests from senior DON officials to provide audit work on emergent issues, such as determining whether there was documentation that sufficient background checks were conducted for DON childcare providers.

In the past six months, NAVAUDSVC audits have addressed such issues as contract administration, the management and physical security of fuel storage tanks and more. NAVAUDSVC assist reports for NCIS identified approximately \$5.3 million in potential fraud (or approximately \$6.6 million over the entire fiscal year). In the year ahead, NAVAUDSVC will continue to work with senior DON officials to provide them with an expert and impartial assessment of critical issues, and, if necessary, make recommendations that address identified conditions and help DON achieve greater efficiency and effectiveness in its operations.

During this period NAVAUDSVC issued 33 final reports, which identified \$2.7 million of potential funds to be put to other use. To date, management has agreed to \$2.7 million.

NAVAUDSVC provided performance and financial audit coverage in areas with significant impact. The sources of work for reports published in this period are shown in Exhibit 1.

Exhibit 1. Workload by Source Published Reports April 1, 2013 – September 30, 2013

Source	Reports
Congressional Requests and Statutory	0
Management Requests	24
Risk Benefit Assessments	9
<b>Total</b>	<b>33</b>

Exhibit 2 shows the number of final reports published by issue area.

**Exhibit 2. Number of Reports by Issue Area**  
April 1, 2013 – September 30, 2013

Issue Area	Reports
Joint Warfighting and Readiness	2
Human Capital	0
Information Assurance, Security and Privacy	1
Acquisition Processes and Contract Management	6
Financial Management	9
Health Care	0
Infrastructure and Environment	8
Equipping and Training Iraqi and Afghan Security Forces	0
Nuclear Enterprise	0
Other	7
<b>Total</b>	<b>33</b>

Exhibit 3 shows the funds identified for potential other use through audit reports issued by NAVAUDSVC over the past three years.

**Exhibit 3. Funds Identified For Potential Other Use**  
(\$ in thousands)

Program	Past 3 Years	Past 6 Months
Acquisition Programs	\$34,600	\$0
Construction Programs	\$914,342	\$0
Logistics Programs	\$0	\$0
Other Programs	\$7,075	\$2,700
<b>Total</b>	<b>\$956,017</b>	<b>\$2,700</b>

Exhibit 4 shows the authorized and actual civilian year-end strengths for FYs 2010 through 2013.

**Exhibit 4. Civilian Year-End Strength**  
(Includes audit, other professional, administrative and support personnel)

Fiscal Year	Authorized	Actual
2010	398	391
2011	398	370
2012	398	373
2013	383	366

## Acquisition Processes and Contract Management

### Naval Air Station Sigonella, Italy Base Operating Support Contract

#### OVERVIEW:

The under secretary of the Navy requested NAVAUDSVC review the Navy's Base Operating Support contracts located outside the continental United States. The objective of this audit was to verify that the Naval Air Station Sigonella, Italy, Base Operational Support contract is effectively administered in accordance with contracting and disbursing policies and procedures.

#### FINDINGS:

NAVAUDSVC found that Naval Facilities Engineering Command Public Works Department Sigonella did not have sufficient internal controls in place to ensure the Base Operational Support contract at Naval Air Station Sigonella, Italy, was effectively administered in accordance with contracting and disbursing policies and procedures. Specifically, Naval Facilities Engineering Command Europe Africa Southwest Asia had not provided sufficient oversight of contracting operations and contract payments supporting the Base Operational Support contract at Public Works Directorate Sigonella. As a result, Naval Facilities Engineering Command Europe Africa Southwest Asia and Public Works Directorate Sigonella could not provide assurance that the Navy received the goods and services for which it paid on the Base Operational Support contract or that internal controls were sufficient to detect, deter and prevent fraud and abuse.

#### RESULT:

NAVAUDSVC recommended the command:

- Conduct management reviews of the Public Works Directorate Sigonella contracting office to ensure that surveillance duties and responsibilities are sufficiently performed and documented.
- Review the Sigonella Base Operational Support contract and ensure all contract requirements are measurable to allow for sufficient assessments of contractor's performance.
- Direct the Sigonella Base Operational Support contractor to provide itemized monthly contractor invoices.

- Appoint Departmental Accountable Officials to provide surveillance over the construction delivery orders under the Sigonella Base Operational Support contract to ensure goods and services are provided.
- Issue written policy and procedures identifying the roles and responsibilities for reviewing and validating accuracy and reasonableness of invoices for the Sigonella Base Operational Support contract.
- Issue written policies and procedures to ensure that the Contracting Officer Representative has oversight of construction delivery orders being issued under the Base Operational Support contract to ensure surveillance is being conducted.

**Report No: N2013-0030**

## Internal Controls over the Execution of Husbanding Contracts – 7th Fleet Area of Responsibility

### OVERVIEW:

NAVAUDSVC sought to verify whether internal controls over the execution of Department of the Navy husbanding contracts were operating to (1) maximize cost effectiveness, quality of service and efficiency across the 7th Fleet; and (2) detect, deter and prevent fraud, waste and abuse.

### FINDINGS:

The execution of husbanding contracts within the 7th Fleet area of responsibility was not sufficient to maximize the value and cost efficiency of port services provided to the Department of the Navy. NAVAUDSVC found in their review (1) husbanding contracts were executed without an appointed Contracting Officer's Representative; (2) contract requirements were not met regarding supporting documentation; (3) some personnel lacked access to the Logistics Support Services Repository (a database that captures standard data globally under all husbanding contracts); (4) some noncontract line items lacked appropriate approvals; (5) Contractor Performance Assessment Reporting reviews were not conducted for husbanding task orders issued by the ships; (6) in some instances, estimated charges on invoices were paid during port visits; (7) ship personnel were not able to validate offload measurements of volume-based services (i.e., collection, holding, transfer and trash) during port visits; and (8) contracting personnel

were not actively involved in the cost reconciliation process for all husbanding task orders. These conditions occurred because the implementation of husbanding contracts and task orders lacked effective internal controls and management oversight. As a result, ships may have been overpaying for services received and husbanding contracts/actions were vulnerable to fraud, waste and abuse. Additionally, there was not an accurate assessment of contractor performance, thus resulting in (1) the ineffective measurement of costs and quality of service; and (2) the possibility of the government not receiving the best services for the war fighter.

### RESULT:

NAVAUDSVC recommended that the commander, U.S. Pacific Fleet, and commander, Naval Supply Systems Command:

- Assign a contracting officer's representative for husbanding contracts.
- Develop procedures to ensure personnel use the Logistics Support Services Repository.
- Update policy to ensure volume-based services are measured accurately.
- Enforce policy on payment for port visit services.
- Capture all husbanding task orders in the Procurement Performance Management Assessment Program/Quality Assurance Self Assessment processes.
- Conduct Contractor Performance Assessment Reporting reviews for all task orders.
- Establish procedures to ensure contracting personnel are involved in the cost reconciliation process.

**Report No. N2013-00336**

## Guam Base Operating Support Contract

### OVERVIEW:

The under secretary of the Navy requested that NAVAUDSVC review the Navy's Base Operating Support contracts located outside the continental United States. The objective of this audit was to verify that the Guam Base Operational Support contract is effectively administered in accordance with contracting and disbursing policies and procedures.

### FINDINGS:

Naval Audit Service found that Naval Facilities Engineering Command Marianas did not sufficiently perform surveillance to ensure the Guam Base Operational Support contract was effectively

administered in accordance with contracting and disbursing policies and procedures. The contracting officer did not provide oversight at a level that would ensure the CORs were performing their surveillance responsibilities in accordance with Federal Acquisition Regulation and Naval Facilities Engineering Command's Performance Assessment User Guide. Contracting officer representative training did not address how to review contractor submitted vouchers to verify that costs were reasonable or met contract requirements.

Without sufficient surveillance, the Department of the Navy cannot be assured that the contractor complied fully with the terms of the Base Operational Support contract or that Naval Facilities Engineering Command Marianas received the goods and services for which it paid.

#### **RESULT:**

NAVAUDSVC recommended that the command:

- Update and implement policy and procedures detailing how performance assessment personnel are to evaluate and document cost management, technical services and program management.
- Update and implement policy and procedures to ensure contracting officer representatives review a broad spectrum of transactions utilizing supporting documentation and contract requirements as a basis for determining that contractor costs within vouchers are allowable per the Federal Acquisition Regulation.
- Establish controls and provide oversight and training to ensure surveillance of contractor performance and incurred costs are evaluated, documented and operating as required.

*Report No. N2013-0037*

## **Financial Management**

### **Fiscal Management at the Center for Excellence in Disaster Management and Humanitarian Assistance, United States Pacific Command**

#### **OVERVIEW:**

NAVAUDSVC (1) analyzed the organizational budget for the U.S. Pacific Command Center for Excellence to determine whether amounts billed, received and expended for mission execution were justified; (2) reviewed U.S. Pacific Command Center for Excellence's

travel activities for sufficient justification according to mission requirements, and where anomalies existed, performed a detailed analysis to identify whether questionable or potentially unauthorized transactions were made; and (3) reviewed internal controls related to U.S. Pacific Command Center for Excellence's hiring process.

#### **FINDINGS:**

NAVAUDSVC identified issues related to funding (possible Antideficiency Act), lack of controls/oversight for funding documents, obligations, expenditures, foreign currency conversion and reconciliation/timely return of unobligated funds. Also, NAVAUDSVC identified a need for establishing procedures and providing oversight to ensure:

- Accounting is in compliance with applicable DoD Financial Management Regulations.
- Defense Travel System is properly utilized and accounted for and personnel are training appropriately.
- Individuals whose work assignments include travel are being chosen to meet mission need requirements.
- Employment documentation is retained to comply with the Secretary of the Navy Records Management Manual.
- Office of Personnel Management occupational series of current personnel is revised.
- Position descriptions for current personnel are updated.
- Managers' Internal Control processes are completed.
- Review of the organization's internal controls is conducted for the annual statement of assurance and documentation is maintained.
- Maintenance of all project files from inception to completion.
- Project managers are completing afteraction reports.
- Subject matter experts are defined.

#### **RESULT:**

NAVAUDSVC recommended that assistant secretary of the Navy (financial management and comptroller), determine whether an Antideficiency Act investigation is warranted for the potential over-obligation and time violations for Fiscal Years 2010 and 2011 funds.

NAVAUDSVC also recommended that comptroller, U.S. Pacific Command, establish and implement controls

and provide oversight to ensure Center for Excellence accounting personnel prevent over-obligations of funds, and that the comptroller provide oversight over the Center for Excellence's Managers' Internal Control program processes.

NAVAUDSVC recommended that the director, Center for Excellence establish and implement policies and procedures and provide management oversight with regard to financial management, travel and hiring practices to ensure an internal control environment has been established and activities are in compliance with applicable laws and regulations. NAVAUDSVC also recommended that the director ensure a thorough review of the organization's internal controls is conducted for the annual statement of assurance and maintain documentation showing the analysis of each internal control reviewed. The director should also require the maintenance of all project files from inception to completion to show a sufficient audit trail, ensure that project managers are completing after-action reports at the completion of events, and establish a process for determining whether an individual should be designated as a subject matter expert.

#### **Report No. N2013-0027**

### **Fiscal and Resource Management at the Naval Postgraduate School**

#### **OVERVIEW:**

NAVAUDSVC identified and tested internal controls at the Naval Postgraduate School, Monterey, Calif., to ensure (1) compliance with applicable laws and regulations on the management of funds, (2) travel funds are being used appropriately, (3) accountability for pilferable items and (4) wireless communication devices are being used appropriately. In addition, NAVAUDSVC followed up on a prior report, N2009-0039, with 34 recommendations.

#### **FINDINGS:**

NAVAUDSVC found that Naval Postgraduate School did not properly manage their programs. Specifically, the Naval Postgraduate School did not:

- Properly manage and execute their government travel and property management programs because they did not have sufficient internal controls in place, there was insufficient monitoring and oversight and there was noncompliance with DON guidance.

- Properly manage their funds in the area of gifts because they did not have sufficient internal controls in place.
- Properly manage their wireless communication devices because they did not have sufficient internal controls in place as required by Department of the Navy Chief Information Officer policy.

In addition, Naval Postgraduate School management did not sufficiently implement agreed-to corrective actions for 15 of 33 recommendations made in the prior NAVAUDSVC report

#### **RESULT:**

NAVAUDSVC made 27 recommendations to the president, Naval Postgraduate School, to establish internal controls and provide sufficient oversight in the areas reviewed. Also, a recommendation was addressed to the chief of naval operations to provide oversight on implementing these recommendations.  
*Report No. N2013-0038*

### **Joint Warfighting and Readiness**

#### **Marine Corps War Reserve Levels**

#### **OVERVIEW:**

The audit objective was to verify that the Marine Corps war reserve levels are supported by valid requirements. This audit was initiated by the auditor general of the Navy.

#### **FINDINGS:**

Valid Marine Corps-approved acquisition objectives for war reserve materiel requirements (in-stores) did not exist within Total Force Structure Management System. Instead, Marine Requirements Oversight Council decisions required the Marine Corps to temporarily use equipment density lists (that portrayed asset quantities in support of Operation Iraqi Freedom and Operation Enduring Freedom) for the Marine Forces Central Command as an input into the war reserve material requirement (in-stores). The condition also occurred because (1) equipment procured through the Urgent Universal Needs Statement process (and shipped directly to the warfighter) was included in the war reserve material requirement (in-stores); (2) standardized procedures did not exist to ensure equipment requiring periodic upgrades to software, firmware or hardware was not procured and held in wholesale war reserve; and (3) Marine Corps Combat Development and Integration

personnel were not validating and updating the war reserve material requirements within TFSMS.

As a result, the approved acquisition objective data contained in TFSMS cannot be relied upon by Marine Corps personnel. Also, since the Marine Corps uses that system to support procurement actions, the lack of valid approved acquisition objectives could lead to unnecessary or insufficient material quantities being purchased to sustain the operating forces. Although, NAVAUDSVC found that valid Marine Corps approved acquisition objectives for war reserve material requirements (in-stores) data did not exist within TFSMS, NAVAUDSVC did not identify any communications-electronics war reserve items that were purchased and going obsolete in storage at the Marine Corps Logistics Command. However, as noted above, Combat Development and Integration personnel conducted a special validation of 217 war reserve materiel requirements (in-stores) during the audit and identified 30 workstations, valued at \$138,000, not to procure during Fiscal Year 2013. Therefore, as a result of NAVAUDSVC audit efforts, \$138,000 of funds was identified to be put to better use during Fiscal Year 2013.

#### **RESULT:**

NAVAUDSVC recommended that the commandant of the Marine Corps (1) initiate actions to validate remaining war reserve material requirement approved acquisition objective requirements data in TFSMS to provide stakeholders accurate and supportable data; (2) upon completion of the validation discussed above, determine the quantity and unit cost of procurements that will not occur as a result and report to NAVAUDSVC the amount of funds put to better use resulting from this recommendation; and (3) establish and promulgate procedures that ensure equipment requiring periodic upgrades to software, firmware or hardware is not procured and held in wholesale war reserve.

**Report No. N2013-0041**

“Due to management oversight, Bureau of Naval Personnel and Naval Health Clinic Annapolis were noncompliant with high-level criteria that require a contingency plan to be in place.”

## **Information Assurance, Security and Privacy**

### **Department of Navy Contract Requirements– Personally Identifiable Information and Sensitive Data**

#### **OVERVIEW:**

The audit objective was to verify that DON contracts contain adequate provisions requiring the safeguarding and disposal of DON personally identifiable information and sensitive data.

#### **FINDINGS:**

NAVAUDSVC analysis of the contract provisions for safeguarding and disposal of DON personally identifiable information and sensitive data showed that the control environment and processes for protecting and safeguarding DON personally identifiable information and sensitive information was in place for contractor personnel and appeared to be working. However, NAVAUDSVC found that Bureau of Naval Personnel and Naval Health Clinic Annapolis did not have an approved and implemented contingency plan in place to deal with an unexpected event that would interrupt their business operations, such as that which may occur if DON personally identifiable information or sensitive data were to be compromised. Directive 3020.26, dated Jan. 9, 2009, requires the continuation of current approved DoD and DoD component mission-essential functions under all circumstances across the spectrum of threats. Due to management oversight, Bureau of Naval Personnel and Naval Health Clinic Annapolis were noncompliant with high-level criteria that require a contingency plan to be in place. Without an approved contingency plan, they cannot provide assurance that they are prepared to support and/or perform DON mission essential functions and facilitate business continuity during recovery from a disruptive event.

#### **RESULT:**

NAVAUDSVC recommended the action commands approve and implement a contingency plan to support and/or perform DON mission-essential functions and to facilitate business continuity during recovery from a disruptive event, up to the time when organization returns to normal operations; and to require all contractor personnel who are anticipated to have access to a significant amount personally identifiable information or sensitive data to

sign a nondisclosure agreement by the start of their employment under the contract.

**Report No. N2013-0034**

*“NAVAUDSVC consolidated the five audits’ results of sampling 1,514 fuel transactions/reports, identifying a difference with supporting documentation for 11 percent of samples, and noting 28 percent of samples did not have supporting documentation.”*

## Infrastructure and Environment

### Summary of Audits of Department of the Navy Fuel Consumption Reporting

#### OVERVIEW:

NAVAUDSVC summarized the results of five audit reports covering Navy aviation, Marine Corps aviation, Navy maritime, Military Sealift Command maritime and DON expeditionary fuel consumption.

#### FINDINGS:

The response to Task 4 of the 2010 Secretary of the Navy Energy Directive, which required reporting the current quantities of consumption data for each category of energy usage, relied on an informal data collection process to report fuel consumption. The Navy Energy Coordination Office relied on open lines of communication to gather fuel consumption data since DON did not have a policy or a formal process for units to periodically report fuel consumption. Aviation, maritime and expeditionary data sources relied upon to report DON fuel consumption in response to the directive did not include complete fuel consumption for all units. In addition, Marine Corps expeditionary and Navy maritime fuel consumption was over-reported by including aviation fuel consumption. NAVAUDSVC consolidated the five audits’ results of sampling 1,514 fuel transactions/reports, identifying a difference with supporting documentation for 11 percent of samples, and noting 28 percent of samples did not have supporting documentation. DON’s tracking of progress toward the secretary of the Navy energy goals is hindered without a policy and processes for routine reporting of fuel consumption.

#### RESULT:

NAVAUDSVC recommended DON management establish a requirement to perform regular collection of DON fuel consumption data at least annually. In addition, DON should establish formal processes, such as standard operating procedures, to collect fuel consumption data from all units. Each of the five audit reports included separate recommendations to address gaps in policy or oversight for reporting fuel, such as for the retention of fuel transaction supporting documentation.

**Report No. N2013-0020**

### Summary of Department of the Navy Bulk Fuel Storage Facilities and Farms

#### OVERVIEW:

The summary fuel audit captured systemic issues identified during four previous Navy fuel storage facilities audits. Systemic issues were found in areas including (1) tank management and oversight and (2) physical security and antiterrorism measures. The individual fuel facility audit reports provided recommendations for improvement in areas that were installation specific; however, the summary audit highlighted concerns that occurred during site visits at multiple installations and made recommendations to senior management to improve the systemic issues identified across the Navy.

#### FINDINGS:

Systemic weaknesses were identified in controls over tank management and oversight and physical security and antiterrorism measures for Navy fuel facilities. Specifically, NAVAUDSVC found (1) inspections and maintenance of fuel facilities were irregular and insufficient; (2) tank management plans were missing or incomplete; (3) quality assurance measures were either not completed or insufficient; and (4) the Navy had not established clear roles and responsibilities for the oversight and operational responsibility of fuel storage facilities. In regards to physical security and antiterrorism, NAVAUDSVC identified systemic weaknesses to include (1) missing or incomplete antiterrorism plans; (2) inconsistent restricted level designations; and (3) physical security access control methods.

#### RESULT:

NAVAUDSVC recommended that the Navy establish and promulgate guidance to outline roles and responsibilities in regards to management, oversight,

and monitoring of Navy fuel storage facilities, as well as procedures to ensure quality assurance inspections are completed for Navy fuel infrastructure.

Recommendations were also made to assess and reevaluate current memorandums of agreement pertaining to fuel facility operations as well as tank management plans across the Navy. In addition, the Navy should conduct assessments to determine whether fuel storage facilities have complete, current and approved antiterrorism plans, accurate restricted level designations and sufficient access control procedures in place.

**Report No. N2013-0026**

*“Out of the sampled 459 tanks reviewed, NAVAUDSVC determined that 76 percent (348 of 459) were not recorded individually in iNFADS.”*

## Navy Fuel Storage Tank Inventory

### OVERVIEW:

The objective of the report was to verify the completeness and accuracy of the Navy's fuel storage tank inventory for both aboveground and the underground tanks at selected installations.

### FINDINGS:

The Navy did not establish effective processes and procedures to ensure that fuel storage tanks were being properly managed in an “accountable property system of record” and that property records for fuel storage tanks recorded in the internet Navy Facility Assets Data Store management system were complete and accurate. NAVAUDSVC randomly selected 32 Navy installations (out of a universe of 735) and compared local tank inventory lists to the tanks recorded in iNFADS. NAVAUDSVC found that significant variances existed between the number of tanks recorded in the system and those recorded on installation listings. NAVAUDSVC also visited eight installations and selected a stratified random sample of 459 tanks (out of the total 1,649 tanks contained on the local lists) for detailed testing. Out of the sampled 459 tanks reviewed, NAVAUDSVC determined that 76 percent (348 of 459) were not recorded individually in iNFADS. These conditions primarily existed because the Navy has not established clear and concise guidance to

determine if fuel storage tanks should be classified as real property or personal property equipment. This resulted in confusion at the installation level about which fuel storage tanks should be recorded in iNFADS, if they should be recorded at all and in what system they should be recorded.

In addition, for the eight installations, NAVAUDSVC also reviewed 334 tank property records that were recorded in iNFADS and found 11 percent (37 of 334) were for fuel storage tanks that no longer existed; 6 percent (20 of 334) had inaccurate fuel storage tank capacities; 3 percent (10 of 334) of the property records included multiple fuel storage tanks on one record; and about 5 percent (18 of 334) of the property records could not be associated with a tank or other real property asset. The weaknesses occurred because notification was not provided in many instances when fuel storage tanks were installed or removed; and there was insufficient coordination between asset management and environmental personnel at the installations visited. As a result, the Navy does not have reasonable assurance that relevant data on accountable fuel storage tank assets is visible and accessible to key stakeholders in the Navy and DoD or that facilities and sustainment requirements are calculated using correct inventory data.

### RESULT:

NAVAUDSVC recommended that the Office of the Chief of Naval Operations direct the revision of criteria/guidance and establish a checklist that standardizes how fuel storage tanks should be recorded; and establish oversight to ensure fuel storage tanks across the Navy enterprise are consistently recorded in the approved accountability system. NAVAUDSVC also recommended that Naval Facilities Engineering Command (1) revise the roles and responsibilities between asset management and environmental personnel and any other Naval Facilities Engineering Command business lines involved in the installment or removal of fuel storage tanks to facilitate reconciliation of fuel storage tank assets; and reconcile property records to the most authoritative source to identify and correct errors to ensure data accuracy and completeness.

**Report No. N2013-0047**

## Other

### Marine Corps Child, Youth, and Teen Programs

#### OVERVIEW:

On Dec. 20, 2012, Secretary of Defense Memorandum to the DoD directed each Military Department to "conduct a 100 percent review and evaluation of the actual background check documentation on file for each individual, employee and volunteer, for compliance with applicable DoD and Military Service Policies." Director of Marine Corps Marine and Family Programs requested NAVAUDSVC to validate the data integrity of their 100 percent file review of all background checks for all child care employees.

#### FINDINGS:

NAVAUDSVC found that Marine Corps Marine and Family Programs was not able to provide sufficient background check documentation for 66 percent of the child care providers in the sample. Based on this result, NAVAUDSVC projected that MC MF would be unable to provide sufficient background check documentation for 996 child care providers. However, by obtaining supplemental background check documentation NAVAUDSVC was able to assemble the required documentation for all but 3 percent of the sampled child care providers. After supplementing the MC MF provided background check documentation with that which NAVAUDSVC obtained separately, NAVAUDSVC was able to revise their projection of child care providers without sufficient background check documentation from 996 to 82. NAVAUDSVC found that Marine Family Care Program Management, of which the MC MF Child, Youth, and Teen Programs is considered a component, is listed as an assessable unit in the Fiscal Year 2103 Management Internal Control program. However, Marine Corps Child, Youth, and Teen Programs was not an assessable unit under Marine Family Care Program Management.

#### RESULT:

NAVAUDSVC recommended the Marine Corps establish controls and provide oversight to ensure that the background check documentation for all child care providers is readily available for inspection and verification. Also, NAVAUDSVC recommended assistant secretary of the Navy (manpower and reserve affairs) establish controls and provide oversight to ensure that the corrective actions are implemented by the Marine Corps.

*Report No. N2013-0044*

*"NAVAUDSVC found that the commander, Navy Installations Command, could not provide sufficient background check documentation for 66 percent of the child care providers in the NAVAUDSVC sample"*

### Navy Child and Youth Programs

#### OVERVIEW:

On Dec. 20, 2012, Secretary of Defense Memorandum to the DoD directed each military department to "conduct a 100 percent review and evaluation of the actual background check documentation on file for each individual, employee and volunteer, for compliance with applicable DoD and Military Service Policies." Commander, Navy Installations Command requested that NAVAUDSVC validate the data integrity of their 100-percent file review of all background checks for all child care employees.

#### FINDINGS:

NAVAUDSVC found that the commander, Navy Installations Command, could not provide sufficient background check documentation for 66 percent of the child care providers in the NAVAUDSVC sample. Based on this result, NAVAUDSVC projected that commander, Navy Installations Command would be unable to provide sufficient background check documentation for 3,977 child care providers. However, by obtaining supplemental background check documentation, NAVAUDSVC assembled the required documentation for all but 16 percent of the sampled child care providers. However, by obtaining supplemental background check documentation, NAVAUDSVC was able to assemble the required documentation for all but 16 percent of the sampled child care providers. After obtaining the information, NAVAUDSVC was able to revise the projection of child care providers, who were without sufficient background check documentation, from 3,977 to 979 child care providers, a smaller but still highly significant number.

#### RESULT:

NAVAUDSVC recommended commander, Navy Installations Command, establish controls and provide oversight to ensure that the background check documentation for all child care providers is readily available for inspection and verification. Also,

NAVAUDSVC recommended assistant secretary of the Navy (manpower and reserve affairs) establish controls and provide oversight to ensure that the corrective actions are implemented by commander, Navy Installations Command.

**Report No. N2013-0045**

## NAVAL CRIMINAL INVESTIGATIVE SERVICE

The Naval Criminal Investigative Service has primary responsibility for law enforcement and counterintelligence within the Department of the Navy and actively supports interagency efforts to identify and interdict terrorist activity. NCIS's focus on information dominance and investigative and operational excellence provides Navy and Marine Corps commanders with decision-making advantage over the adversary.

### Counterintelligence

#### Combatting Insider Threat

In March 2013, a joint NCIS and FBI investigation led to the arrest and indictment of a defense contractor working for the U.S. Pacific Command in Hawaii. Benjamin Bishop, a former lieutenant colonel in the Army Reserves, was charged with communicating classified national defense information to a foreign national on multiple occasions. Bishop is the third U.S. citizen in less than six months who has been arrested by NCIS and FBI on charges related to endangering national security, either by unlawfully retaining information or by attempting to pass classified secrets to a foreign entity. The national defense information Bishop allegedly provided included matters relating to nuclear weapons, the ability of the United States to detect ballistic missiles and the deployment of early warning radar systems in the Pacific Rim. Bishop is being held at a federal detention facility in Hawaii.

#### Committee on Foreign Investment in the United States

Based on NCIS's analytical framework for assessing threats, the Department of the Navy provided support to the FBI's Committee on Foreign Investment Section and changed its own methodology for assessing potential counterintelligence threats posed by foreign entities owning or controlling businesses located near Department of the Navy facilities. This change

has enabled the Navy to provide more efficient, timely and accurate assessments to the Committee on Foreign Investment in the United States. The Committee on Foreign Investment in the United States uses various threat assessments to determine the potential national security vulnerabilities posed by a non-U.S. entity owning or controlling a U.S. business. As the Department's executive agent for counterintelligence, part of the NCIS mission is to advise on the potential threat to the U.S. Navy posed by a foreign entity owning a business or property.

#### Conviction of Former Navy Sailor

On Aug. 21, 2013, Robert Hoffman II was convicted by a federal jury in Norfolk, Va., of attempting to provide classified information to individuals whom he believed to be representatives of the Russian government. NCIS previously reported on the joint NCIS-FBI undercover operation and investigation that led to the arrest and indictment of the retired Navy cryptologist. Sentencing is scheduled for December 2013.

#### Defeating Cyber Intrusions

NCIS continues to investigate and assist prosecutors through its capability to identify a broad spectrum of cybercriminal threats from inside and outside the Navy's network using a human source network and collaboration with multiple law enforcement and corporate entities around the world. Previously, NCIS reported on the investigation and prosecution of "Zyklon B," the online moniker for a French juvenile who hacked into the Military Sealift Command and posted sensitive military information online. The Zyklon B investigation was one of several cyber cases spawned by proactive NCIS cyber operations to identify emerging cybercriminal threats and act on those affecting the Department of the Navy.

This cyber capability was essential to the recent success in dismantling a hacking group responsible for compromising several government and military websites. In June 2012, unidentified hackers broke into a Navy website used for permanent change of station moves. The intruders accessed personal information—full names, Social Security numbers, home addresses, personal email addresses, user names and answers to online security questions—of more than 200,000 service members who had used the system since 2001.

Despite a lack of concrete evidence, such as the attacker's IP addresses or computer logs, a team of cyberintelligence specialists identified and located the suspect by comparing small clues in postings he made using several online aliases. NCIS identified the suspect as an active duty enlisted sailor, and other members of the group were discovered and interviewed, resulting in two confessions. The collaborative investigation involved at least 40 law enforcement personnel from various agencies across almost two dozen locations. To date, the case has included more than 70 grand jury subpoenas, 12 federal search warrants, one command authorized search, and several permissive searches of computers and online accounts, two cooperating witnesses, numerous hours of surveillance and the execution of an undercover cyber sting operation aboard the USS Harry S. Truman as it was underway. In May 2013, the sailor was administratively separated from the Navy. While additional administrative and judicial actions remain pending, this investigation effectively mitigated the threat from a previously unknown hacker group. The approximate loss to the Navy in response and mitigation costs is nearly \$515,000.

In addition to the Zyklon B and Navy permanent change of station website cases, proactive NCIS cyber operations have led to several cases and prosecutions of personnel searching for child erotica and drug-related content on the Navy-Marine Corps network.

## Criminal Investigations and Program Initiatives

### Disrupting Maritime Sources of Terrorism Funding

The NCIS-led Operation Riptide provided information that helped lead to the March 2013 interdiction of \$104 million worth of heroin—one of the largest heroin seizures in maritime history. The suspect vessel was carrying more than 500 kilograms of heroin when the Canadian warship HMCS Toronto intercepted it off the coast of Tanzania. Operation Riptide, a joint effort of NCIS, the Drug Enforcement Administration and the Office of Naval Intelligence, provides actionable intelligence and law enforcement support to the Combined Maritime Forces to disrupt the movement



NCIS-led Operation Riptide was an essential element in the largest heroin seizure in maritime history.

of drugs and other illegal cargo that are known to be major funding sources for terrorist networks. In 2013, Operation Riptide helped identify and track eight contacts of interest, resulting in boarding and drug seizures of 2,548 kilograms of heroin and 15,323 kilograms of hashish. Operation Riptide helps enable operational partners, international task forces and host-nation counterparts to develop long-term targeted investigations leading to the prosecution of criminal networks in the region.

### 1984 Cold Case Murder

NCIS and the Jacksonville Sheriff's Office in Florida identified a suspect in a cold case sexual assault and murder from 1984 using advanced DNA testing. In February 2013, James Jackson was charged in the rape and slaying of Tammy Welch, a 10-year-old daughter of a Navy petty officer. The child's body was found strangled behind the family's apartment building. Jackson lived next door to the Welches at the time and denied knowing Tammy Welch when he was questioned by law enforcement. In 1999 and 2002, authorities again interviewed Jackson and collected DNA samples. In 2012, NCIS and the sheriff's office submitted more than 50 pieces of evidence for advanced DNA testing, which resulted in identifying Jackson, now 60. Jackson is being held without bail in a pretrial facility.



USS Miami sustained more than \$700 million in damage from arson in 2012.

### **USS Miami Investigation**

In March 2013, a former Portsmouth Naval Shipyard employee was sentenced to 17 years confinement followed by five years of supervised release for deliberately setting the fire that caused \$400 million worth of damage to the nuclear-powered attack submarine USS Miami. Casey Fury was also ordered to pay \$400 million in restitution to the Navy. The Navy reversed its decision to repair the sub when cost estimates rose to \$700 million. In November 2012, Fury pleaded guilty to two charges of arson within the special maritime and territorial jurisdiction of the United States. NCIS reported previously on the investigation that led to Fury's confession.

### **Piracy Convictions**

The last three pirates convicted in February 2011 for kidnapping and murdering four Americans aboard an American yacht, *Quest*, have been sentenced. In July 2013, Somali nationals Ahmed Muse Salad, Abukar Osman Beyle and Shani Nurani Shiekh Abrar were found guilty of 26 charges, to include 22 capital offenses, and piracy, conspiracy to commit kidnapping, hostage-taking resulting in death, kidnapping resulting in death and multiple firearms offenses. The pirates received 22 mandatory life sentences. Additionally, in July 2013, the 4th U.S. Circuit Court of Appeals upheld the conviction of pirate negotiator Mohammad Saaili Shibin. Shibin was tried and found guilty in August 2012 of 15 charges, including multiple counts of piracy under the law of

nations, and sentenced to 12 life sentences. He is believed to be the highest-ranking pirate caught and tried in the United States. The other 11 co-subjects pleaded guilty during earlier court proceedings in the U.S. District Court for the Eastern District of Virginia and all received life terms for various charges, including piracy under the law of nations. The convictions are the result of a joint FBI and NCIS investigation that required collaboration with Naval Special Warfare assets, the State Department and various foreign counterparts to identify, locate and extract Shibin from Somalia. NCIS analysts provided the investigative and trial teams with information linking Shibin to known pirate financiers, facilitators and action teams.

### **Support to the Warfighter**

#### **Green-on-Blue Murder in Afghanistan**

On July 21, 2013, the Afghan Appellate Court affirmed the 20-year sentence of Abdul Wodood Najibi, one of two civilian security contractors convicted in the September 2011 kidnapping and murder of James Coker, a civilian Navy engineer working in Kabul, Afghanistan. It is the longest sentence ever upheld by the appellate court. Ahmad Seyar Kaihan received a 16-year prison sentence for his role. NCIS previously reported on the war-zone investigation into Coker's disappearance. His body was later discovered in a cave at a military training facility, and NCIS identified the suspects and built the cases prosecutors in Afghanistan used to convict them.

#### **Force Protection Support in Southwest Asia**

NCIS analysis identified an important shift in regional terrorist tactics, training and protocol, as well as potential attack venues, related to a significant terrorist threat in South Asia. The in-depth trend analysis altered the assessments of the U.S. intelligence community and foreign partners and, as a result, U.S. and allied partners have synchronized and shifted collective force protection planning to mitigate the identified, developing terrorist threat. Separately, NCIS identified a specific, significant force protection concern in Bangladesh ahead of a scheduled joint exercise planning conference. Because of the threat analysis, conference planners canceled the gathering, thus mitigating any risks to Department of the Navy interests.

## Interagency Collaboration

NCIS remains the model within DoD for interagency information sharing and fusing of asymmetric force protection threat reporting. NCIS's Watch Analytic Center continues to expand collective DoD situational awareness through the co-location of representatives from the military criminal investigative organizations. In addition to AFOSI and Army CID representatives, the Watch Analytic Center now includes representatives from U.S. Marine Corps Headquarters, the Army Protective Service Battalion and the Pentagon Force Protection Agency. Co-location enables the various representatives to access and share service-specific operational and investigative data. Real-time sharing promotes the correlation of information from various databases to fuse investigative, law enforcement, security and intelligence to create a one-stop information center for FBI and other national and state law enforcement entities seeking timely assistance for breaking asymmetric threat issues involving DoD personnel, assets and interests. Additional benefits include cost savings and expanded interoperability.

The watch center supports larger DoD priorities, ranging from tactical support to coordination with DoD, local and national law enforcement elements. For example, in February 2013, elements from the Watch Analytic Center coordinated information in real-time and provided positive identification and background information—including previous military and weapons training—about former Los Angeles, Calif., police officer and former Navy Lt. Christopher Dorner, who was wanted in connection with three deaths in California. During the Boston Marathon bombings, the Watch Center coordinated information with the FBI, National Counterterrorism Center and the National Joint Terrorism Task Force, greatly enhancing the safety and situational awareness of law enforcement and investigative agencies on the ground.

## Significant Investigative Cases

### Bribery of a Navy Employee

#### OVERVIEW:

This joint investigation between DCIS and NCIS was initiated in September 2011 after notification of irregularities regarding the use of an assigned

government purchase credit card by a civilian, Michelle Rodriguez, employed by Maintenance Center Albany, Marine Corps Logistics Command, Ga. An audit of Rodriguez's procurement files between 2009 and 2011 revealed numerous procedural violations, falsified government records and overcharges to the government of more than \$500,000. Investigators also identified \$59,000 in cash deposits to Rodriguez's personal bank account that were made around the same time that similar amounts were withdrawn from vendors' accounts. Rodriguez was interviewed and admitted to violating procedures, falsifying government records and receiving gifts from vendors. Frederick Simon and Thomas Cole Jr. of the Ran Can Corporation of Albany, Ga., admitted to paying Rodriguez \$161,000 in bribes for requisitions she made from their businesses between 2009 and 2011. The total loss to the government was approximately \$900,000.

#### RESULT:

In June 2013, Rodriguez, Cole and Simon were sentenced in U.S. District Court, Middle District of Georgia. Rodriguez pleaded guilty to one count of bribery, and Cole and Simon both pleaded guilty to one count of bribery of a public official. Rodriguez was sentenced to 70 months in prison and forfeiture of \$161,000. Cole was sentenced to 46 months and forfeiture of \$209,000. Simon was sentenced to 32 months and forfeiture of \$74,500. In addition, they were also sentenced to three years of supervised release and ordered to pay restitution of \$907,000 to the Marine Depot Maintenance Command.

*“...the lifetime cost avoidance to the Navy in removing Shurn from the workers’ compensation program resulted in an additional savings of \$873,832.”*

### Retired Navy Employee Wrongfully Received Workers’ Compensation

#### OVERVIEW:

This joint NCIS and DCIS investigation was initiated in August 2009 upon notification that a former Navy employee, Leray Shurn, was fraudulently receiving workers' compensation benefits. Shurn had been collecting benefits for job-related injuries he suffered

in 2003 and 2005. In 2009, Shurn was observed performing strenuous physical activities related to his landscaping business. Shurn admitted to investigators that he owned and operated the landscaping business, but that he did not profit from it because he used the proceeds to pay his workers. Loss to the Veterans Administration was estimated at \$146,840 and loss to the Navy was estimated at \$283,028. However, the lifetime cost avoidance to the Navy in removing Shurn from the workers' compensation program resulted in an additional savings of \$873,832.

#### **RESULT:**

In March 2012, Shurn was indicted by the U.S. District Court, Southern District of California of 16 felony counts. In July 2013, Shurn was found guilty of mail and wire fraud, false statement to a government agency and false statement or fraud to obtain federal employees' compensation. He was sentenced to 24 months of confinement in federal prison, ordered to pay \$357,977.20 in restitution to the Department of Labor and Veterans Administration, as well as fined \$5,000 and given two years of supervised release upon completion of confinement.

*“In July 2013, Nunez became the first American to be remanded to Japanese custody under the U.S.-Japan extradition treaty signed in 1980.”*

#### **Navy Employees and Former Sailor involved in Japanese Drug Distribution**

##### **OVERVIEW:**

This joint investigation with NCIS, the Japanese National Police Agency, Kanagawa Prefecture, U.S. Marshals Service, Drug Enforcement Administration, Chiba Airport Police, U.S. Bureau Immigration and Customs Enforcement was initiated in 2004, after Japanese authorities seized two boxes of drugs sent through military mail to civilians aboard Commander Fleet Activity Yokosuka. The packages were addressed to Babe Cole, an employee of the Yokosuka Morale, Welfare, and Recreation Command, and William Jenkins, a former employee of the Yokosuka Morale, Welfare, and Recreation Command, and contained nearly \$2 million worth of MDMA (Ecstasy), MDMA with methamphetamine and crystal methamphetamine. Cole and Jenkins admitted to

NCIS that they were helping a former sailor, Jonathan Nunez, carry out a drug-smuggling scheme. Japanese authorities arrested Cole and Jenkins, but Nunez fled the country before police could execute his arrest warrant.

#### **RESULT:**

In July 2013, Nunez became the first American to be remanded to Japanese custody under the U.S.-Japan extradition treaty signed in 1980. The complex and lengthy extradition process required extensive coordination efforts among Navy investigators and authorities in the United States and Japan. In 2004, Cole and Jenkins were debarred from Yokosuka and sentenced in Yokohama District Court to seven years of confinement and forfeiture of 3 million yen, which is about \$28,600 in U.S. currency.

#### **Child Sexual Assault by Marine Corporal**

##### **OVERVIEW:**

In September 2012, NCIS was notified that Marine Cpl. Josue Gallegos, stationed at the Marine Corps Air Ground Combat Center, Twentynine Palms, Calif., had sexually abused a 5-year-old child his wife was babysitting. The child, a Navy dependent, reported the events when her mother came to pick her up from Gallegos' home. A forensic medical examination supported the child's allegations that she had been sodomized. Gallegos admitted to investigators that he was alone with the child but denied sexually assaulting her. NCIS seized several items of evidence from the scene; however, no relevant DNA was recovered. During a second interview, Gallegos invoked his right to legal counsel. A military protective order was obtained, and he was placed in pretrial confinement.

#### **RESULT:**

Gallegos pleaded guilty and was convicted of sexual assault and providing a false official statement. He was sentenced in March 2013 to 25 years of confinement, reduction to E-1 and a dishonorable discharge.

#### **Navy Petty Officer Guilty of Sexually Assaulting Daughter**

##### **OVERVIEW:**

This joint investigation between NCIS and the Guam Police Department was initiated March 21, 2012, in response to allegations that Navy Petty Officer 1st Class Bradford Lung had been sexually abusing his

10-year-old daughter. The abuse allegedly began when the girl was 5 years old and the family was living in Washington. The abuse continued when the family moved to California and Guam. The daughter told investigators that Lung videotaped her being abused and made her watch videos of adults and children having sex. Lung was arrested March 22, 2012, after admitting to NCIS and Guam police that he sexually abused his daughter on numerous occasions between 2008 and 2012. In addition, investigators found 46 images of suspected child pornography, including two series of known victims of child pornography, on digital media seized at the crime scene.

#### **RESULT:**

In May 2012, Lung pleaded guilty and was convicted of 20 counts of first-degree criminal sexual contact in Guam Superior Court. He was sentenced to life in prison and remanded to U.S. Navy custody. At a general court-martial June 6, 2013, Lung pleaded guilty and was convicted of aggravated sexual contact with a child, sodomy and indecent acts with a child. He was sentenced to 42 years of confinement, reduced to E-1 and a dishonorable discharge.

## Rape of Civilian by Marine Lance Corporal

#### **OVERVIEW:**

This investigation was initiated in May 2012 upon notification that Marine Lance Corporal Marco Hernandez allegedly sexually assaulted a civilian after she passed out from drinking alcoholic beverages. On the night of the assault, the victim and her civilian boyfriend were attending a party at his sister's and brother-in-law's home aboard Camp Pendleton. The victim reported feeling sick and was carried to a bedroom and passed out. When the sister and brother-in-law went to check on her about 20 minutes later, they found Hernandez having sex with the unconscious woman. Initially, he told investigators that the victim was conscious and invited him to lie next to her. During a second interview, Hernandez admitted the victim was passed out when he sexually assaulted her.

#### **RESULT:**

On March 11, 2013, Hernandez was found guilty at a general court-martial of rape and failure to obey a lawful general order. He was sentenced to 15 years of confinement, reduction to E-1, sex offender registration, forfeiture of all pay and allowances, and a dishonorable discharge.

*“In September 2008, an NCIS source reported that an active-duty Marine was taking bribes from a contractor while stationed at Camp Fallujah, Iraq.”*

## Accepting Bribes by Marine in Iraq

#### **OVERVIEW:**

In September 2008, an NCIS source reported that an active-duty Marine was taking bribes from a contractor while stationed at Camp Fallujah, Iraq. During the joint investigation between NCIS and DCIS, it was discovered that Marine Gy. Sgt. Julio Arreola allowed the Davut Construction and Services Company to intentionally overcharge the Marine Corps for supplies in exchange for monetary bribes. In November 2010, Arreola waived his rights and admitted to investigators that he allowed Davut to overprice supplies sold to the Marine Corps in exchange for more than \$19,000 in bribes paid by Murat Ozerden, Davut's manager, and that he solicited bribes from several other DoD contractors while supervising construction projects at Camp Fallujah in 2008.

#### **RESULT:**

In July 2012, Arreola was indicted and convicted in U.S. District Court for the Eastern District of North Carolina for bribery of a public official. In February 2013, Arreola pleaded guilty and was separated from the Marine Corps with an other than honorable discharge. In July 2013, Arreola was sentenced to five years of probation and ordered to pay restitution of \$31,470. The U.S. Attorney's Office for the Eastern District of North Carolina declined to prosecute Ozerden, who had already returned to his native Turkey.

## Illegal Dumping of Petroleum Contaminated Soil by Navy Contractor

#### **OVERVIEW:**

This joint investigation with NCIS, North Carolina State Bureau of Investigation, Environmental Protection Agency—Criminal Investigation Division and Department of Agriculture Office of the Inspector General was initiated in May 2010 upon notification that petroleum-contaminated soil from Marine Corps Air Station New River was being dumped in

a protected wetland. As part of an environmental cleanup project at Marine Corps Air Station New River, P&F Environmental had been contracted to haul the soil to a treatment facility in Whitakers, N.C. However, the company's owner, Harvey B. Pridgen, directed employees to dump the soil at a farm in Trenton, N.C., to fulfill a separate contract to deliver clean soil to farmer Enoch Foy Jr. When questioned, Pridgen maintained his company dumped the dirty soil at the facility and brought clean soil to the Foy farm. NCIS's investigation, however, confirmed that approximately 1,000 pounds of petroleum-contaminated soil from Marine Corps Air Station New River had been dumped on Foy's property and dispersed into wetlands on the farm.

#### **RESULT:**

In September 2012, Pridgen was convicted in U.S. District Court for the Eastern District of North Carolina of unauthorized fill of wetlands. He was sentenced in April 2013 to six months of imprisonment and six months of home confinement with electric monitoring and fined \$300,000. As part of his plea agreement, Pridgen paid \$11,367 to the North Carolina Ecological System Enhancement Program—Wetlands Restoration Fund. Foy was convicted by the U.S. District Court for the Eastern District of North Carolina in September 2011 of discharging of pollutants. He was sentenced in April 2012 to 36 months of probation and fined \$15,000.

*“In June 2012, Harris pleaded guilty and was convicted in U.S. District Court, Eastern District of Virginia, to one felony count of production of child pornography and was sentenced to 25 years in prison followed by supervised release for life.”*

## **Navy Sailors Involved in the Sexual Exploitation of Children**

#### **OVERVIEW:**

This joint investigation between NCIS and the Indiana State Police was initiated in 2011 upon notification that Seaman Ryan Schroeder had received text messages containing photos of a woman molesting a boy approximately 3 years old. When investigators interviewed Schroeder, he said, “It was possible” that he asked his girlfriend, Tara Tryon, to produce and send child pornography to him as text messages. Schroeder’s phone contained several images and videos sent by Tryon of her molesting a co-worker’s 2-year-old boy and younger sister while she was babysitting them. Digital media seized from Schroeder’s barracks aboard Naval Station Mayport, Fla., contained additional sexually explicit photographs of children and led to the discovery of a second woman sending Schroeder images of child pornography. Petty Officer 3<sup>rd</sup> Class Adrienne Harris was interviewed and admitted to sending photographs to Schroeder of her sexually abusing a 1-year-old.

#### **RESULT:**

On July 12, 2013, Tryon pleaded guilty and was convicted of one count each of child molestation and child exploitation. She was sentenced to 10 and 8 years of imprisonment to run concurrently. Schroeder and Harris were both discharged from the Navy in 2012 for “misconduct due to commission of a serious offense.” In June 2012, Harris pleaded guilty and was convicted in U.S. District Court, Eastern District of Virginia, to one felony count of production of child pornography and was sentenced to 25 years in prison followed by supervised release for life. Schroeder was tried in Porter Superior Court, Valparaiso, Ind., and found guilty of all 23 felony counts, including five class A felony charges of aiding in child molesting. He was sentenced in February 2013 to 45 years in prison. All three must register as sex offenders.

## AIR FORCE

### AIR FORCE AUDIT AGENCY

#### Air Force Audit Agency

The Air Force Audit Agency mission is to provide timely, relevant and quality audit services to all levels of Air Force management by reviewing and promoting the economy, effectiveness and efficiency of operations; assessing and improving Air Force fiduciary stewardship and the accuracy of financial reporting; and evaluating programs and activities and assisting management in achieving intended results. AFAA is committed to reaching out to Air Force customers at all levels. To support Air Force decision-makers, AFAA has approximately 625 personnel at more than 50 worldwide locations. AFAA conducts centrally-directed, Air Force-wide audits in numerous functional areas to support Air Force senior leaders. Installation-level audit teams provide additional audit services to installation commanders.

To provide Air Force officials timely, responsive, balanced and value-added audit services, AFAA audit-planning methods include frequent contact with Air Force senior leaders and Joint Audit Planning Groups. The FY 2013 Audit Plan was prepared in partnership with Air Force decision-makers to address the most significant areas of management concern. As such, AFAA ongoing and planned audits address many of the Air Force's most critical programs and initiatives, including topics such as personnel training, cyber security, environmental management, systems acquisition, health initiatives and Afghanistan Base closure planning.

Further, the Secretary of Defense called for the Department to achieve audit readiness of the Statement of Budgetary Resources by the end of CY 2014 and of all Department financial statements by 2017. The Secretary also called for personnel to increase emphasis on asset accountability and execute a full review over financial controls. Consequently, during the second half of FY 2013, AFAA issued eleven reports directly supporting Air Force Financial Improvement and Audit Readiness.

During the second half of FY 2013, AFAA published 46 centrally directed audit reports, made more than 178 recommendations to Air Force senior officials and identified \$380.3 million in potential monetary benefits. The following paragraphs provide and synopsize a few examples of AFAA audit coverage related to specific DoD Management Challenge areas.

#### Joint Warfighting and Readiness

##### Engine Parts Reclamation

###### OVERVIEW:

AFAA determined whether personnel properly identified excess engine parts that could be reclaimed and used to meet valid Air Force requirements.

###### FINDINGS:

Air Force engine managers identified excess T56 and F100 engines available for parts reclamation; however, supply chain management personnel did not properly identify engine parts that were available to offset buy requirements.

###### RESULT:

Properly identifying parts for reclamation will allow the Air Force to reduce future buy requirements by approximately \$43 million during FYs 2013-2018. AFAA made two recommendations to improve the engine reclamation process.

*Report No. F-2013-0006-L20000*



AFAA determined if engine parts could be reclaimed.

*“Reducing these overstatements and correcting the condition would allow the Air Force to put \$151.3 million to better use over the next six years (execution year and the Future Years Defense Program)”*

## Depot Condemnations

### OVERVIEW:

AFAA determined if equipment specialists established accurate condemnation rates and accurately recorded condemnations.

### FINDINGS:

Air Force equipment specialists established inaccurate estimated condemnation rates for 57 (59 percent) of 97 items reviewed and recorded inaccurate condemnations for 35 (39 percent) of 90 items reviewed.

### RESULT:

Inaccurate estimated condemnation percentages overstated buy and repair budget requirements by \$57.2 million. Reducing these overstatements and correcting the condition would allow the Air Force to put \$151.3 million to better use over the next six years (execution year and the Future Years Defense Program). Inaccurate recorded condemnations overstated buy and repair requirements by \$30.4 million and understated requirements by \$1.5 million. Reducing these overstatements and correcting the condition would allow the Air Force to put \$85.1 million to better use over the next six years (execution year and the Future Years Defense Program). AFAA made two recommendations to improve management of depot condemnations.

*Report No. F-2013-0007-L40000*

## Follow-up Audit, Military Personnel Appropriation Man-Days

### OVERVIEW:

AFAA determined whether Air Force personnel efficiently used man-days for valid mission needs, limited man-day usage to authorized quantities, and limited use of technicians to short-term requirements and less than 1,095 man-days in a four-year period.

### FINDINGS:

Air Reserve Component personnel did not limit man-day usage to authorized quantities. Specifically, ARC

personnel approved 53 percent of man-day orders with more or less days than authorized to the man-day mission (repeat finding). In addition, officials did not always limit technicians to short-term man-day requirements. In FY 2012, 190 technicians performed 240 or more man-days; 119 (63 percent) of the 190 technicians performed the man-days at their home station.

### RESULT:

Based on statistical projection, at least 4,064 additional man-days (valued at \$828,319) were used without prior approval during the period reviewed. In addition, returning unused man-days will provide approximately \$266 million over the next six years (execution year and the Future Years Defense Program) to support mission requirements. Using technicians for long-term man-days results in an unfilled full time support requirement for the ARC unit. In addition, long-term unfilled full-time positions affect civilian personnel requirement accuracy and the effective distribution of limited resources to meet mission needs. AFAA made five recommendations to improve Man-Day Program management.

*Report No. F-2013-0008-O40000*

## Follow-up Audit, United States Air Forces Central Deployed Locations Aerial Port Operations

### OVERVIEW:

AFAA determined whether Air Force personnel efficiently utilized airlift, effectively managed cargo and passenger movement, and effectively managed passenger and contractor reimbursements.

### FINDINGS:

The Air Force did not fully utilize airlift weight and volume capacity for 35 percent of missions (repeat finding), and personnel did not properly code passenger entries and submit required supporting documents to facilitate reimbursement (repeat finding). Finally, U.S. Air Forces Central and port personnel implemented controls over cargo and passenger movement, but these actions did not completely correct the previous condition (repeat finding).

“...effective controls over travel would result in additional Transportation Working Capital Fund revenue totaling \$15.8 million.”

## RESULT:

Using a standardized and accurate methodology to adjust, consolidate and redirect airlift, auditors estimated the Air Force could put at least \$63.1 million to better use during FYs 2014-2015. In addition, effective controls over travel would result in additional Transportation Working Capital Fund revenue totaling \$15.8 million. Finally, effective controls over cargo reduce the risks of loss and theft, and timely cargo processing increases cargo movement efficiency. AFAA made four recommendations to further improve management of airlift utilization, passenger travel reimbursement, and cargo and passenger movement within the U.S. Central Command area of responsibility.

*Report No. F-2013-0010-O30000*

## Cyber Security

### Medical Platform Information Technology Security

#### OVERVIEW:

AFAA determined whether program management office personnel effectively identified and registered medical platform information technology, properly identified applicable information assurance controls and properly implemented IA controls requirements.

#### FINDINGS:

Air Force personnel did not effectively identify and register medical platform IT, identify IA controls applicable to platform IT or implement IA controls requirements.

#### RESULT:

Unidentified platform IT impedes effective completion of security risk assessments and prevents implementation of critical IA controls. Proper IA controls identification promotes effective mitigation of security vulnerabilities that could pose risks to medical platform IT and the Air Force network. IA controls-requirements implementation mitigates risk of unauthorized access and other cyber attack, and provides assurance of system and information confidentiality, integrity, and availability. AFAA made three recommendations to improve controls

over medical platform IT identification, IA controls identification and IA controls implementation.

*Report No. F-2013-0017-O10000*

### Commercial Off-The-Shelf Software Management

#### OVERVIEW:

AFAA determined whether Air Force officials effectively managed commercial off-the-shelf software. Specifically, audit evaluated software inventory management, enterprise licenses, individual licenses and the approved products list.

#### FINDINGS:

AFAA identified discrepancies in commercial off-the-shelf software inventory management, enterprise licenses, individual licenses and the approved products lists.

#### RESULT:

Complete and reliable software inventories will reduce the risk of undetected malicious software on Air Force networks and highlight enterprise license purchasing opportunities. Also, a more effective software license program will ensure efficient use of limited information technology funds and, where possible, reduce unneeded or duplicate license purchases. Finally, a standardized approved products list will facilitate efficient management of software on Air Force networks. AFAA made three recommendations that should improve commercial off-the-shelf software management.

*Report No. F-2013-0019-O10000*

### Acquisition Processes and Contract Management

#### Joint Air-To-Surface Standoff Missile Warranty Management

#### OVERVIEW:

AFAA determined whether Air Force officials accomplished effective warranty cost analysis and established adequate contract warranty provisions for the joint air-to-surface standoff missile.

#### FINDINGS:

Air Force did not accomplish effective warranty cost analysis prior to acquiring each production lot warranty or establish adequate contract warranty provisions that incentivized the contractor to improve missile availability.

**RESULT:**

As a result of ineffective warranty cost analysis, program personnel allowed the contractor to shift the cost risks associated with manufacturing defects to the Air Force, increasing the warranty unit price 513 percent, from \$7,155 to \$36,774 per missile. Also, missile availability may remain well below the user's requirement. AFAA made two recommendations to improve program management.

*Report No. F-2013-0010-L30000*

**Air Force Real Property Ingrants****OVERVIEW:**

AFAA determined whether real property personnel performed required environmental evaluations, paid fair market value rents and associated fees, and effectively administered real property in-grants.

**FINDINGS:**

Air Force personnel did not properly administer (justify, renovate, execute or account for) 39 office space leases valued more than \$88 million.

**RESULT:**

Proper administration enables the Air Force to reach lease reduction goals and prevents overpaying for unneeded leased facilities and unauthorized improvements to them. By cancelling unneeded leases, the Air Force would save at least \$2.3 million over the next six years (execution year and the Future Years Defense Program). AFAA made one recommendation to improve Air Force real property in-grant management.

*Report No. F-2013-0010-O20000*

**Health Care****Medical Research and Development****OVERVIEW:**

AFAA determined whether Air Force medical officials performed research consistent with Air Force Medical Service research and development objectives; appropriately managed project fund distributions and timely de-obligated unneeded unliquidated balances; and provided formal feedback on all project reviews and timely executed projects.

**FINDINGS:**

Air Force officials did not timely distribute funds for 11 of 40 projects, de-obligate 46 of 153 ULO balances



AFAA determined whether Air Force medical officials performed research consistent with Air Force Medical Service research and development objectives.

no longer needed, provide formal feedback for 16 of 40 projects reviewed or timely execute 11 projects.

**RESULT:**

Effective medical R&D fund execution ensures funds are used for their intended purpose and improves resource allocation decisions. Further, timely de-obligating unneeded medical R&D ULOs allows the Air Force to put more than \$4 million toward solving critical capability gaps. Effective R&D project management allows the Air Force to better control total costs, maintain collaborative research relationships and produce quality research results. Air Force Medical Support Agency officials took corrective action to improve the project review process and de-obligated almost \$335,000 in invalid ULOs. AFAA made two recommendations to improve medical R&D management.

*Report No. F-2013-0010-O40000*

**Integrated Disability Evaluation System****OVERVIEW:**

AFAA determined whether Air Force officials effectively implemented integrated disability evaluation system initiatives to include pre-screening processes, automated tracking systems, and communication protocols and timely processed Medical Evaluation Board and Physical Evaluation Board cases and appeals.

## FINDINGS:

Air Force personnel did not always timely process MEB and PEB cases and appeals to meet various DoD standard lapsed day goals. This was a repeat of the condition identified in AFAA Report of Audit F-2010-0002-FD2000, Disability Evaluation System Internal Controls, Dec. 3, 2010.

## RESULT:

Timely processing MEB and PEB cases and appeals minimizes the impact to unit readiness, quickly identifies Air Force members able to return to duty and separates or retires those no longer fit for duty. Further, fully implementing electronic technologies will avoid shipping costs, resulting in a savings to the Air Force in excess of \$1.6 million over the next six years (execution year and the Future Years Defense Program). AFAA made three recommendations to effectively implement and timely perform integrated disability evaluation system pre-screening, MEB, PEB and appeals processes.

*Report No. F-2013-0014-O40000*

## Patient Centered Medical Home

### OVERVIEW:

AFAA determined whether Air Force Medical Service officials effectively managed continuity of care and patient appointments.

### FINDINGS:

Air Force Medical Service officials generally met the team continuity of care goal, but they could improve patient continuity of care. Further, officials did not meet Air Force goals for appointment no-shows and appointment utilization.

### RESULT:

Effective management of patient-centered medical home continuity of care and patient appointments will improve access to team providers, helping the Air Force achieve objectives and save more than \$9.7 million in reduced private sector care referral costs over the next six years (execution year and the Future Years Defense Program). AFAA made one recommendation to sufficiently staff patient-centered medical home teams and more effectively manage controls over patient continuity of care and appointments.

*Report No. F-2013-0017-O40000*

## Financial Management

### Aircraft Depot Maintenance Labor Standards

#### OVERVIEW:

AFAA assessed the accuracy of depot maintenance labor standards used to plan aircraft overhaul requirements.

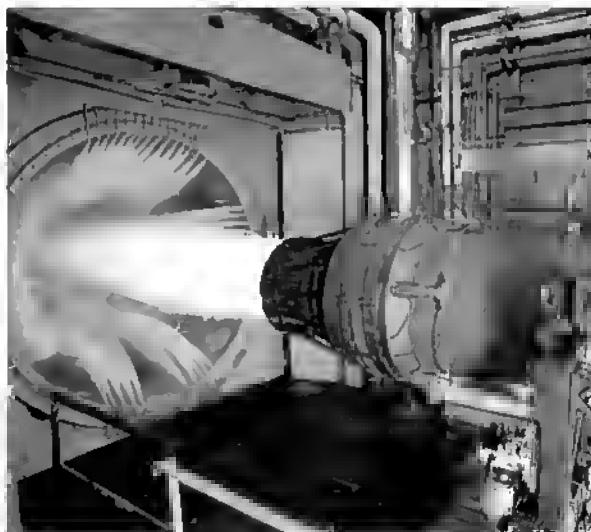
#### FINDINGS:

Maintenance personnel did not develop and maintain accurate labor standards for 335 (60 percent) of the 556 operations reviewed or document labor standard reviews as required.

#### RESULT:

As a result, the Air Force overstated FYs 2013-2017 anticipated direct labor expenditures by more than \$52.9 million and understated the expenditures by more than \$59.3 million. The net result is an estimated understatement of direct labor expenditures exceeding \$6.4 million for FYs 2013-2017. As a result of undocumented labor standard reviews, Air Force Materiel Command cannot adequately support or defend planned direct product standard hours, personnel requirements, anticipated labor expenditures and customer pricing. AFAA made two recommendations to improve the management of aircraft depot maintenance labor standards.

*Report No. F-2013-0004-L20000*



AFAA assessed the accuracy of depot maintenance labor standards used to plan aircraft overhaul requirements.

*“Reinvesting bonuses for airmen who are sub-proficient in their language skills will allow the Air Force to avoid spending more than \$1 million from FYs 2016-2018.”*

## Intelligence, Surveillance, and Reconnaissance Bonus

### OVERVIEW:

AFAA determined whether Air Force officials correctly identified Intelligence, Surveillance, and Reconnaissance Air Force Specialty Codes requiring bonuses and accurately paid the bonuses to eligible ISR airmen; appropriately used ISR bonus recipients within their critical specialties; and provided timely annual assessments and proficiency training to ISR linguists receiving, or those eligible to receive, bonuses.

### FINDINGS:

Air Force personnel did not appropriately use ISR bonus recipients within critical specialties. Nineteen percent of the ISR airmen receiving, or eligible to receive, bonuses worked outside their critical skills for an average of 19 months. In addition, responsible personnel did not provide timely proficiency training to ISR linguists receiving, or eligible to receive, bonuses as 34 percent of linguists attended training up to six years late.

### RESULT:

More efficiently using ISR airmen receiving bonuses will allow the Air Force to put almost \$8 million to better use over the next six years (execution year and the Future Years Defense Program). Reinvesting bonuses for airmen who are sub-proficient in their language skills will allow the Air Force to avoid spending more than \$1 million from FYs 2016-2018. AFAA made four recommendations to improve the controls over ISR bonus utilization.

*Report No. F-2013-0007-O30000*

## Secretary of the Air Force Administrative Assistant Resource Directorate Miscellaneous Obligation/Reimbursement Documents

### OVERVIEW:

AFAA determined whether resource advisors properly established miscellaneous obligation/reimbursement

documents, supported MORD payments and managed MORD funds.

### FINDINGS:

Resource advisors did not maintain documentation supporting establishment of 22 MORDs valued at \$4 million and payment of 25 MORDs valued at \$4.7 million. In addition, resource advisors at four of nine organizations did not promptly de-obligate excess unliquidated obligation balances.

### RESULT:

Maintaining documentation to support amounts obligated and paid helps ensure payments are only made for valid requirements and goods or services actually received. Further, documentation provides evidence amounts recorded in financial records and reported in financial statements are valid, complete and accurate. In addition, de-obligating unneeded balances will permit reallocation of approximately \$4.6 million for Air Force prior year adjustments. AFAA made one recommendation to improve MORD management.

*Report No. F-2013-0008-L10000*

## Nuclear Enterprise

### Personnel Reliability Program

#### OVERVIEW:

AFAA determined whether Air Force officials accurately identified personnel reliability program manpower requirements, properly monitored and timely certified individuals in PRP positions, and timely and consistently performed administrative qualification for PRP personnel.

#### FINDINGS:

Air Force officials accurately identified manpower requirements and properly monitored and timely certified individuals in PRP positions. However, individuals did not timely perform administrative qualification within 60 days.

#### RESULT:

Effectively and timely qualifying PRP personnel helps ensure only trustworthy and dependable personnel handle critical nuclear assets. AFAA made one recommendation to improve the administrative qualification process.

*Report No. F-2013-0006-O30000*

## Other

### Child and Youth Programs Personnel Background Investigations

#### OVERVIEW:

AFAA determined whether Air Force officials properly initiated and completed initial background investigations and re-verifications, and performed suitability determinations for all employees providing services in child and youth programs.

#### FINDINGS:

Air Force personnel did not properly complete initial background investigations and re-verifications for 11 and 14 percent, respectively. In addition, 8 percent of employees lacked a current (either initial or re-verification) investigation, and there was no evidence to validate an investigation or re-verification for 13 percent of employees. Finally, Air Force personnel did not perform or document suitability determinations for 8 percent of persons with available evidence of derogatory information resulting from investigations.

#### RESULT:

Background investigations and re-verifications help provide children with a safe environment, minimizing risk of harm. Suitability determinations ensure personnel are properly screened before caring for children. AFAA made two recommendations to improve management of Child and Youth Program personnel background investigations.

**Report No. F-2013-0015-O40000**



AFAA determined whether Air Force officials properly initiated and completed background investigations for all employees providing services in child and youth programs.

## AIR FORCE OFFICE OF SPECIAL INVESTIGATIONS

### Significant Activities

The Air Force Office of Special Investigations has primary responsibility for law enforcement and counterintelligence within the Department of the Air Force and supports interagency efforts to identify and interdict terrorist activity. AFOSI's mission is to identify, exploit and neutralize criminal, terrorist and intelligence threats to the Air Force, Department of Defense and the U.S. government.

#### Supporting Forward-Deployed Forces

AFOSI members operating in the vicinity of Kandahar, Afghanistan, received information on the location of Taliban members associated with improvised explosive devices and substantial logistic support activities. As a result of the information, AFOSI, additional American forces and the Afghan National Police conducted an operation targeting the Taliban insurgents. During the operation, a high-level Taliban commander was neutralized and six other insurgents were captured.

While operating in the area of Kandahar, Afghanistan, AFOSI special agents assisted coalition forces during activities designed to disrupt and neutralize Taliban operations in the area. Information received and relayed by the AFOSI members enabled the neutralization of a Taliban commander who was responsible for at least three suicide attacks in the Kandahar area and the distribution of bomb making components.

On a mission conducting village engagement operations near Shindand, Afghanistan, AFOSI members identified and captured a known Taliban weapons facilitator. This particular dealer previously claimed responsibility for the sale of rockets ultimately used to conduct indirect fire attacks against coalition forces and military bases.

Near Shindand, Afghanistan, AFOSI special agents received information concerning the location of a hidden weapons storage location. AFOSI members and the Afghan National Army conducted an exploitation operation in which they found and seized



The AFOSI Detachment in Turkey provided significant counterintelligence support to the deployment of eight Patriot missile defense batteries in southeastern Turkey.

a large amount of weapons and explosives, some of which were rigged as IEDs. The seized items were submitted for further exploitation.

AFOSI special agents received information regarding the location of several Taliban fighters who had positioned an ambush location near a shopping area in Shindand, Afghanistan. AFOSI members shared the information with Afghan National Army members, who responded to the area and conducted clearing operations. During the operation, Afghan National Army members detected several Taliban insurgents attempting to set up an ambush. The Taliban members subsequently fled the area to avoid contact and capture. Upon search of the area, Afghan National Army members found abandoned weapons in the ambush site.

The AFOSI Detachment at Incirlik Air Base, Turkey, rendered significant counterintelligence support to the deployment of eight Patriot missile defense batteries to three locations in southeastern Turkey. Approximately 900 personnel of the Dutch, German and U.S. military deployed with these systems to enhance NATO's air defenses along Turkey's border against hostile Syrian aggression. AFOSI provided on-the-ground assessments of the threats from terrorism and foreign intelligence for each site and conducted assessments of hundreds of miles of possible routes to be used by convoys transporting

this sensitive equipment. In addition, AFOSI helped organize and conduct a biweekly Combined Joint Threat Working Group so threat information could be shared in a timely manner with NATO allies and U.S. Army partners. This teamwork enhanced mutual antiterrorism and force protection.

#### **Combatting Procurement Fraud**

AFOSI activated the Office of Procurement Fraud in the summer of 2013 to enhance AFOSI's major acquisition fraud investigative capability and maximize its ability to effect greater Air Force acquisition and sustainment integrity. The Office of Procurement Fraud is headquartered at Joint Base Anacostia-Bolling, Washington, D.C., with detachments and operating locations dispersed over six geographic regions. The new office will focus on major procurement fraud investigations and cooperation with counterpart investigative agencies. The Office of Procurement Fraud's organizational structure, as a separate office within AFOSI, facilitates partnership with, and the securing of procurement and sustainment integrity concerns and priorities of, AFOSI's key customers to help align AFOSI's fraud targeting accordingly. The new office will be instrumental in reinvigorating AFOSI's procurement fraud mission and detecting and deterring fraud in Air Force programs.

#### **Focused Cyber Support**

The Defense Cyber Crime Center is designated as a national cyber center under National Security Presidential Directive-54/Homeland Security Presidential Directive-23 and provides the following capabilities to DoD law enforcement and counterintelligence organizations, information assurance and critical infrastructure protection, document and media exploitation requirements, and counterterrorism objectives:

- Digital and multimedia forensics and laboratory services.
- Cyber training with certifications in cyber investigations, incident response and digital forensics.
- Digital forensics research, development, test and evaluation.
- Cyber analytics for information assurance and critical infrastructure protection, and law enforcement / counterintelligence cyber investigations and operations.

The Defense Cyber Crime Center delivers these capabilities through the Defense Computer Forensics Laboratory, the Defense Cyber Investigations Training Academy, the Defense Cyber Crime Institute, the Defense Cyber Crime Center Analytical Group and the Defense Industrial Base Collaborative Information Sharing Environment.

*“AFOSI seized Meyer’s work and home computers and recovered 542 files containing child pornography...”*

## Significant Investigative Cases

### US Air Force Member Soliciting Sex from a Minor

#### OVERVIEW:

On March 15, 2012, the Kenton County Police Department, Internet Crimes Against Children Task Force, Independence, Ky., advised an unidentified individual, later identified as Air Force Master Sgt. Thomas Meyer, contacted an undercover officer posing as a 13-year-old female living in Kentucky. Meyer engaged in sexually explicit computer chats and transmitted sexually graphic images of himself to the undercover officer from a computer belonging to U.S. Central Command, MacDill Air Force Base, Fla. On May 16, 2012, AFOSI special agents, working jointly with the FBI, obtained an Internet protocol address used during the chats and traced it back to Meyer’s spouse in Valrico, Fla. AFOSI seized Meyer’s work and home computers and recovered 542 files containing child pornography, in addition to multiple chat logs between Meyer and suspected minors. Meyer confessed to the inappropriate Internet relationship with a person he believed to be a minor and admitted that he had sent pornographic pictures of himself to the individual. Additionally, Meyer confessed to having made contact with a known pedophile and received training about approaching Meyer’s stepdaughter for sex.

#### RESULT:

On May 7, 2013, Meyer pleaded guilty in federal court to the production of child pornography. Meyer was convicted and received a 15-year sentence in a federal penitentiary, with supervised release for life and registration as a sex offender.

### Use and Distribution of Narcotics

#### OVERVIEW:

This investigation was initiated after Air Force Airman First Class Adonis Little Dog, stationed at Keesler Air Force Base, Miss., tested positive for marijuana and cocaine during a routine urinalysis. Little Dog confessed to AFOSI that he, along with Airman Basics Joseph Paproski and Matthew Shaffer, ingested marijuana and cocaine four to five times between Jan. 31 and Feb. 20, 2013. Little Dog advised he had met a civilian drug dealer at a mental health hospital in Biloxi, Miss. In addition to the cocaine and marijuana, Little Dog purchased five tablets of Vicodin from another airman. Little Dog stated that Paproski paid for the marijuana, cocaine and Vicodin. Paproski confessed to AFOSI that he had purchased and used marijuana and cocaine on several occasions with Little Dog and Shaffer. Paproski confessed to the purchase of five tablets of Vicodin. Shaffer admitted he, Paproski and Little Dog purchased and used marijuana and cocaine on multiple occasions. Paproski’s urine tested positive for cocaine and marijuana. Analysis of residue from a straw found on Little Dog during the search incident to apprehension revealed the presence of cocaine. Analysis of a green leafy substance seized from Paproski’s dormitory room determined it was marijuana.

#### RESULT:

On April 10, 2013, Paproski was convicted by a special court-martial and received four months confinement, forfeiture of \$5,000 and a bad conduct discharge. On March 29, 2013, Shaffer was convicted by a special court-martial and received six months confinement, forfeiture of \$6,060 and a bad conduct discharge. On April 9, 2013, Little Dog was convicted by a special court-martial and received four months confinement, forfeiture of \$5,000 and a bad conduct discharge.

### Chinese Parts Substituted in UAV’s

#### OVERVIEW:

This joint investigation between AFOSI, DCIS and the FBI was initiated after AFOSI received information of alleged product substitution on the Predator and Reaper Unmanned Aerial Vehicle programs involving Mesa Bearing located in Trabuco Canyon, Calif. Mesa Bearing was a subcontractor for multiple government contracts. In approximately 2009, Keith Faber sold Mesa Bearing and worked as a consultant with Mesa



A joint investigation determined that Chinese-made ball bearings were fraudulently provided for use in Unmanned aerial vehicle.

Bearing until 2010. In May 2010, a new employee was cleaning the storage area and discovered a green folder with handwritten notes. The notes contained confessions from Faber of substituting Chinese ball bearings not approved by the original contract. Additionally, testing documents were discovered from a third-party testing facility that demonstrated failures of the Chinese ball bearings submitted by Mesa Bearing. Faber confessed to AFOSI special agents of knowingly providing parts "of questionable origin" for use on the Predator program. A Defense Contract Audit Agency investigative audit estimated the damages to be between \$60,645 and \$334,777.

#### **RESULT:**

On June 10, 2013, Faber pleaded guilty and was convicted in a federal court to the depredation of government property. Faber was ordered to pay \$60,000 in restitution, given a \$250 fine and sentenced to a three-year probation period.

#### **USAF Recruiter Indicted on Sexual Assault Charges**

#### **OVERVIEW:**

On Nov. 22, 2011, AFOSI was notified of an Air Force recruiter, Tech Sgt. Jaime Rodriguez, stationed at Lake Jackson, Texas, engaged in multiple unprofessional sexual relationships with potential Air Force recruits. AFOSI special agents conducted multiple records reviews, completed numerous witness interviews

and completed searches of social media to confirm the allegations levied against Rodriguez. Through their efforts, AFOSI confirmed that Rodriguez was engaged in sexual relations with six recruits, to include nonconsensual sex, sodomy and sexual assault.

#### **RESULT:**

On June 14, 2013, Rodriguez was convicted by a general court-martial and sentenced to 27 years of confinement, reduction to the grade of E-1, forfeiture of all pay and allowances, and a dishonorable discharge.

#### **Air Force Airman Drug Trafficking in the Republic of Korea**

#### **OVERVIEW:**

This investigation was initiated after AFOSI at Osan Air Base, Republic of Korea, was notified by Korean Officials that they intercepted a package of marijuana addressed to Senior Airman Lawrence Milton, stationed at Osan Air Base. Milton's postal records from February-September 2012 showed he signed for at least six other packages from the same sender. AFOSI special agents apprehended Milton, and in a search of his dorm room, seized his cell phone. The phone had multiple text messages from a nonbase-affiliated civilian, Minju Shields, to Milton asking if Milton checked his mail box for a package. A search of Milton's backpack revealed a printout of a Facebook conversation between Milton and U.S. Air Force Staff Sgt. Dominick Streeter, stationed at Joint Base Andrews, Md. In the conversation, Streeter asked Milton if he deleted Streeter's messages and instructed Milton to tell authorities they knew each other from stateside. Streeter, while stationed at Osan Air Base, received several packages of marijuana for Shields from the spring 2011 through December 2011. Streeter introduced Shields to Milton so Milton could assume control of the illegal activity. While in custody, Shields confessed that, from approximately May to November 2011, Streeter provided six to eight packages of marijuana. The amount of marijuana increased in each package until the final package contained 250 to 300 grams of marijuana. Shields asked Milton if he would accept the delivery of packages containing marijuana through his military mailbox, and Milton agreed. In February 2012, Milton started receiving packages of marijuana.

## RESULT:

On May 3, 2013, Milton was convicted by the Incheon District Court, 13th Criminal Court for the import or export of narcotics into or out of Korea. Milton was sentenced to two years and six months confinement. Shields was sentenced to three years confinement and a fine of \$1,108.

## Test of Base Security in Alaska

### OVERVIEW:

On Jan. 19, 2013, a nonbase-affiliated civilian, Kyle Hansen, drove through the Joint Base Elmendorf-Richardson, Alaska gate at a high rate of speed. Hansen traveled across Joint Base Elmendorf-Richardson at speeds in excess of 60 miles per hour. Attempting to exit Joint Base Elmendorf-Richardson, Hansen reversed his vehicle into an Air Force vehicle. Members of the 673rd Security Forces Squadron set up a road block utilizing patrol vehicles in an attempt to stop Hansen's vehicle. Hansen maneuvered his vehicle around the patrol cars, striking a member of the 673rd Security Forces Squadron. Members of the 673rd Security Forces Squadron and the S4Sth Military Police Company, Joint Base Elmendorf-Richardson, Alaska, fired at Hansen's vehicle. Hansen was not hit by the gunfire and departed the base, driving through the chain-link gate. Based on evidence left at the scene, AFOSI special agents, working with the Anchorage Police Department, identified Hansen and arrested him later that day. A physical search of Hansen's vehicle found damage consistent with a high-speed crash and numerous bullet holes and broken windows. Fingerprint analysis of items recovered from the vehicle placed Hansen inside the vehicle.

### RESULT:

Hansen pleaded guilty in Federal Court in Anchorage, Alaska, on one count of felony assault of a law enforcement officer and was sentenced to 60 months in prison, three years of supervised release and was ordered to pay \$78,310.44 in restitution.

## Aggravated Sexual Abuse of Multiple Children

### OVERVIEW:

This investigation was initiated after AFOSI was notified of possible child sexual abuse. After conducting interviews of the child, a search authorization was acquired to search the residence

and deployed dormitory room of Air Force Senior Airman Adam Parker, stationed at Minot Air Force Base, N.D. The search resulted in the seizure of various electronic media. After a review by the Defense Computer Forensics Laboratory and the National Center for Missing and Exploited Children, files found on Parker's computers, hard drives and electronic media resulted in the discovery of 239 files, consisting of photographs and videos, of known child pornography as identified by the National Center for Missing and Exploited Children, and 365,083 files, consisting of photographs and videos, of suspected child pornography. Parker confessed to several illegal sexual encounters with five children. Parker stated he was roughly 19-20 years old when he began sexually assaulting two children and believed they were between the ages of four to six at the time of the assaults. Parker admitted to viewing and downloading child pornography before and after enlisting in the Air Force. In April 2010, he began sexually assaulting two other children. One was approximately 2 years and 6 months old at the time and the other was approximately 1 year and 4 months old at the time. Parker further confessed to several illegal sexual acts with the 1-year-and-4-month old child. Child forensic interviews with several more children disclosed that Parker engaged in illegal sexual activity with them.

### RESULT:

On April 9, 2013, Parker was convicted by a general court-martial of engaging in sexual acts with a child,



Air Force Senior Airman Adam Parker was convicted of aggravated sexual abuse of multiple children.

sodomy of a child, indecent acts with a child and possession of child pornography. Parker received confinement for life, a reduction to E-1 and a dishonorable discharge.

## Rape

### OVERVIEW:

This investigation was initiated after a female reported to AFOSI that Air Force Senior Airman Stefin Reed, assigned to Shaw Air Force Base, S.C., had raped her. The female stated that she and Reed had walked to a local bar. While at the bar, Reed got into several verbal altercations and was told to return to his room. The female and another military member found Reed later that evening on the hotel balcony and walked Reed to his room. Later that night, the female went to check on Reed in his room. After approaching the bed, Reed began to kiss the female, became aggressive and forced her to engage in an illegal sexual act. The female said she shouted for help and Reed struck her, detained her and threatened to kill her. Reed forced the female to engage in further illegal sexual acts and, fearing for her safety, she complied. At some point, the female escaped and ran into the hotel hallway for help. Later analysis disclosed evidence consistent with rape.

### RESULT:

On June 7, 2013, Reed was convicted of rape by a general court-martial and received a sentence to 10 years confinement, reduction of grade to E-1 and a dishonorable discharge.

## Cost Mischarging against the DoD

### OVERVIEW:

This joint investigation between AFOSI, DCIS and the Army CID was initiated after AFOSI after received information from the Defense Contract Management Agency, Contract Integrity Center, which alleged Aerovironment, Inc., located in Monrovia, Calif., mischarged multiple DoD contracts. Extensive document reviews and a Defense Contract Audit Agency audit found that Aerovironment, Inc. charged more than \$1 million in federal income tax expenses, which is an unallowable cost, to their incurred cost account for transportation expenses. This resulted in a nearly 9 percent increase in the company's overhead rates charged on numerous DoD contracts. Aerovironment, Inc. cost accounting controls were also found to be inadequate.

### RESULT:

On Aug. 29, 2013, Aerovironment, Inc. signed a civil settlement agreement to pay \$667,000 to the United States. Aerovironment, Inc. also had to modify cost accounting controls as a result of the investigation's findings.

*“The blanket purchase agreement contained 19 task orders with award amounts totaling \$80,407,838 and a ceiling value with options totaling \$ 206,119,017.”*

## Retired Lieutenant Colonel Attempts to Defraud Government

### OVERVIEW:

This joint investigation between AFOSI, DCIS, Army CID and the General Service Administration Office of the Inspector General was initiated after AFOSI received information that in 2006, retired Air Force Lt. Col. Steven Stallings, living in Valrico, Fla., falsely entered into a memorandum of agreement for a blanket purchase agreement with the General Services Administration, Pensacola, Fla., and with the Science Applications International Corp., a Top 100 Defense Contractor. Stallings falsely represented himself as a government senior executive services member. Stallings was a retired at the time but still had a connection with the Science Applications International Corp. The blanket purchase agreement contained 19 task orders with award amounts totaling \$80,407,838 and a ceiling value with options totaling \$ 206,119,017.

More than \$10 million awarded to the Science Applications International Corp. under the Blanket Purchase Agreement were funded by various military branches. Stallings' false representation was uncovered when contracting officials at Nellis Air Force Base, Nev., questioned his connection with a task order under this blanket purchase agreement for Nellis Air Force Base. Stallings claimed that he was a senior executive service member who worked for the Chief of Naval Operations. During an interview with Stallings, he stated that he had violated the False Claims Act by creating a fictitious company, Trusted Agent, in 2006, which he claimed was an independent testing organization, and that he was the sole

employee. Stallings admitted that he had created a deceptive scheme by representing himself as a federal government senior executive service member for the sole purpose of being awarded contracts through the General Service Agency for the Science Applications International Corp.

## **RESULT:**

On June 6, 2013, the Science Applications International Corp. reached a settlement agreement to pay the United States \$5.75 million on or before June 12, 2013. Additionally, the Assistant U.S. Attorney's Office reached an agreement to settle with Stallings under which Stallings will pay \$105,000 to the United States over a three-month period.